CAPITAL AND PROFITS

DAVID C. REID

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CAPITAL AND PROFITS

By

DAVID C. REID

Author of "Effective Industrial Reform

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Introduction

FEW subjects today demand our more careful study than capital and profits. For no method of industrial reconstruction can succeed which fails to give to capital and profits their true place and function. Civilization itself will stand or fall according to the view which we take of this important factor. And yet not only have most people today very hazy ideas of the nature, function and necessity of capital and profits, but it is in relation to this factor that the most fatal errors in all proposals of industrial reconstruction are made.

The object of this book is to make plain the true function of capital and profits and thereby enable the people to reconstruct their industrial system and not fall into worse evils than those from which they fly.

This book also distinguishes between the great movement called socialism and the economic teachings of Marx or Marxism, which unfortunately have infected the whole socialist party but must not, therefore, be regarded as a necessary element of true socialism. A sane and enlightened socialism is doubtlessly bound to come; but the Marxist economics, in the minds of many, is equally bound to go.

PART I

Statement of the Problem—Definition of Capital

Capital and Profits

CHAPTER I

Capital and Profits—The Two Views

THE time is rapidly approaching when intelligent men must work out a definite plan of industrial reconstruction that will command the support of thoughtful minds. For present industrial and economic conditions are intolerable and demand a change.

When American history began, the industrial policy which our fathers deliberately adopted was that of pure industrial individualism and anarchism. Each man was thrown upon his own feet and told to fight his own battle as best he could. The struggle for bread was made to be a fierce free-fight-for-all in which the best man was expected to come out on top.*

But this policy of individualism and anarchism has given birth to a system that is feudalistic and despotic. From amidst the strife of individuals and groups, a strong financial oligarchy has rapidly emerged and risen to power, and today a few strong men hold supreme irresponsible control over the

* For a clear explanation of the origin, development and character of our present industrial system, see Reid's *Effective Industrial Reform*, Part I—The Hazard Company.

whole industrial world. And this creates a condition of menace and danger which cannot be tolerated by a free and enlightened people.

The great problem that is confronting all minds, therefore, is how to overthrow this huge system of oppression and iniquity that has fastened itself upon us? What is the new principle which we must adopt and what is the concrete plan, the social machinery, by which to put that principle into actual operation?

But before this two-fold problem can be solved, it is imperative that we obtain a correct view of the nature and function of capital and profits and their place in our industrial and economic life.

The capital invested in our country's industries is commonly supposed to earn its legitimate income as well as labor. The earnings of capital are paid in the form of profits, as interest or dividends or rents; the earnings of labor, in the form of wages or salaries. And men and women who have believed in honest work for honest pay, and have had, therefore, no desire to oppress or rob their fellowmen, have hitherto saved and invested their savings in their country's industries for the express purpose of earning an income from them.

Now the first question which is to be discussed in this book is—Are these dividends which are earned by invested capital legitimate? Is it right for the worker to invest his savings in his country's industries and earn an income from them, or have we been all along mistaken in this matter and must we, for the sake of justice, when we come to recon-

struct our industrial system, abolish all interest, dividends and rents from our economic life?

2.

Two distinct and directly antagonistic views are held today in relation to this question concerning the legitimacy of capital and profits. And there is no hope of solving the problem of industrial reconstruction until we settle, once for all, which of these two antagonistic views is true.

The first of these views is identified with Karl Marx, the father of modern socialism, and, therefore, may be called the Marxist view. It is held today practically by the whole socialist party. The second is that which is coming to be taught substantially in all our schools and colleges today, and may be called the modern scientific view.

The Marxist view, briefly stated, affirms that labor produces everything; that capital produces nothing; and that, therefore, all profits, including rents, interest and dividends, are nothing but the plunder which capital exacts from labor, and, therefore, should be abolished. It affirms that this profit-taking is the very root of present industrial wrongs; and that, therefore, the evils of our present industrial system cannot be remedied until we are willing to abolish all rents, interest and dividends forever. Marxism, therefore, condemns all dividends paid to invested capital, all interest paid on money loaned, and all income received from the rental of real estate, as being sheer robbery. And Marxism is ever seeking so to reconstruct our industrial system

that all dividends, interest and rents, however derived, shall be forevermore impossible.

How Marx arrived at this conclusion concerning capital and profits is easily explained.

Marx made, it may be said, a great discovery. He saw for the first time, in all its clearness, that the chief cause of the poverty and degradation of the laboring classes lay in the fact that they were systematically oppressed and plundered by the capitalist class, which under the plea of profits, robbed the worker of the larger part of the product of his labor. Marx's whole career consisted in one long effort to expose the injustice which modern capitalism commits against labor and to arouse the workers for its overthrow.

This was the grand purpose of his book—*Capital*—which has been justly called the bible of modern socialism. This book contains, indeed, the most powerful and, in its essential affirmations, the most just arraignment of modern capitalism that can be conceived. It was, indeed, an epoch-making book. It called the attention of the worker and the world, for the first time in human history, to the existence of an all-powerful system of oppression and plunder, which the people had not been aware of before. And he made the workers see that, though the modern capitalist class had no armies immediately behind its back, yet in its control of the economic necessities of life, it possessed a power to oppress greater than that of the ancient Caesars, and through its control of all the wealth and capital of the country it was able to control also even governments and armies.

For this work of exposing capitalist oppression and arousing the workers against it, Marx deserves all praise.

But in the intensity of Marx's arraignment of modern capitalism, he failed to distinguish between what we may call a just and an unjust capitalism, and he failed to see the place which a just capitalism must occupy in our economic life. To him, capital was always the instrument of plunder. To one who reads and re-reads his books and abridgments of them, he gives the impression on every page that to him capital is always predaceous. And the fundamental assumption which underlies every argument is, that labor produces everything, that capital produces nothing and that, therefore, all profits including rents, interest and dividends, are nothing but the plunder which capital exacts from labor.

The position of modern economic science concerning the nature and function of capital is just the opposite of Marx and his disciples. Modern economics affirms that capital, though it is the product of labor is, nevertheless, itself productive; that it earns a real profit or increase, over and above the labor employed in its creation and use, and that this profit should justly go to the worker whose labor created it or justly acquired it.

In short, modern economic science is coming to distinguish between a just and an unjust capitalism. It admits that modern capital robs labor; and that Marx is right when he says that the tendency of capitalism, *under the present system*, is to rob the worker of his whole surplus earnings, above the bare

cost of his support. Nevertheless, it affirms that there is such a thing as a just profit which should go to capital. And because a part of the so-called earnings of capital is robbery, we must not, therefore, conclude that all is robbery. For capital earns a just profit, even as labor earns a just wage. Furthermore, economic science affirms that capital occupies an essential place in our economic life. Whatever, therefore, be the cause of present industrial wrongs, economic science affirms that that cause does not necessarily lie in the mere fact of profit-taking.

3.

These two views, it can be seen, are directly antagonistic to each other. They cannot both be true. And they vitally affect the very foundations of our industrial and economic life. For the one—the modern scientific view—defends, while the other seeks to destroy what has been a fundamental factor in the economic life of man ever since the world began.

For from the beginning of the world down to the present time, men have gone into business and invested their savings or capital for an income. And this has been one of the chief incentives to industry and one of the fundamental factors of human progress and civilization. Men have manufactured tools, cultivated land, opened up mines, harnessed the forces of water and wind, of steam and electricity, and have built boats and sawmills and factories; they have laid railroads and built up marts of trade. And they have done these things,

not merely to make labor more productive, but in order to earn an income from their invested capital.

And while it has always been admitted that there was such a thing as an unjust profit and that business men, owing to the individualistic and competitive character of our present business life, have often used this profit-taking as a means of robbery, yet it has always been assumed that there was such a thing as a just profit which is earned by the use of capital and that this just profit should go to the investor.

Furthermore, in all ages and in the United States today, there are multitudes of men and women —workers, teachers, preachers, doctors, lawyers, widows and others who, though not engaging directly in business themselves, nevertheless, save a part of their earnings and invest those savings in the industries of the country. And by the earnings of these savings, they secure leisure and prepare for sickness and old age. And this has been one of the essential factors in every thrifty life. Multitudes of widows and orphaned children are kept from want by the earnings of the invested savings of the once living husband and father.

Down to the present time, therefore, this process of investing one's savings or capital, for the earning of a just income has been viewed not only as perfectly legitimate, but as a virtue of a very high order. Thrifty parents and teachers have taught their young people to save and invest their savings for a future income. It was the man who refused to do this and thereby failed to prepare for leisure and old

age that was regarded as criminally negligent, while the man who looked ahead and saved was regarded as the truly thrifty and commendable person.

But to the amazement of every intelligent person who becomes acquainted with Marxism for the first time, Marxism affirms that this whole process of investing one's savings for an income is illegitimate. It is a process, says Marxism, of pure robbery. Hence, whether a man invests money in a saw-mill for a profit, or a worker deposits his savings in a savings bank for a three or four per cent dividend, in either case, the supposed earnings are just simply robbery, the robbery,—says Marx,—which capital exacts from labor. A man may put his money in a savings bank for safe-keeping, but, says Marxism, he has no right to receive a cent of dividends on that money. And a man may put money into a saw-mill in order to provide himself with machinery to work with, but unless he runs the mill himself he has no right to receive a cent of profit from his invested capital in the mill. And Marxist socialism affirms its purpose, in our reconstructed industries, to sweep all investment of savings for the earning of dividends from our whole economic life. If Marxism should be rigidly introduced, the only source of income allowed to any man would be the simple earnings of his labor.

The teaching of Marxism, therefore, concerning capital and profits, is radically different from the accepted view. And it seeks to revolutionize, and, if adopted, will sweep away one of the most important foundations of our present economic life. The

Marxist view of capital and profits should not, therefore, be permitted to prevail without careful consideration. And, before we reconstruct our industrial system, we should carefully decide whether we shall, or shall not, adopt the Marxist view.

4.

Above all, we should not permit the people to adopt the Marxist position without their clearly knowing what they are doing and why they do it. *It is a fact, of which most people are ignorant, that practically every scheme of industrial reconstruction proposed today, unconsciously or deliberately adopts the Marxist position,* and will sweep away all individual investment of capital for an income.

It is a startling fact, of which many are not aware that practically every scheme of public ownership, proposed by persons, who are *outside of* the Socialist party and have no connection with that party, unconsciously adopts the Marxist position and will abolish this whole factor of the investment of one's savings for an income from all human life.

To illustrate. The proposition is widely made today that we turn our railroads and other industries over to the government to be run like the United States mail. But those who propose such a method of public ownership never seem to reflect that such a scheme, if adopted, would annihilate all possibility of the individual investment of one's savings for an income. They do not see that such a scheme would force every person to enter upon a hand to mouth existence in which each person's sole income

would be the earnings of his labor, and when the worker stopped work his whole income would cease. And yet such would be the actual result of adopting a form of public ownership corresponding to that of the United States mail, as it can be readily seen.

For the method of securing the capital necessary to carry on the United States mailing service is radically different from that employed in the privately owned industries. In the privately owned industries the capital is individually subscribed and on this capital dividends are paid. The private corporation, therefore, provides a place for the investment of individual savings and the earning of an income from them. But the business of the United States mail offers no such opportunity. On the contrary it makes such investment of savings an impossibility. For the capital invested in the United States mail is not individually subscribed. It is raised by indirect taxation or by taking it out of the business "as we go along."

The result is that while the United States mail offers work to its employes at a supposed just wage or salary, and provides a service to the public at a supposed just price, yet it provides no opportunity for any one to invest his or her savings in the business for the earning of an income from them.

If, therefore, the same method of public ownership were applied to our whole industrial system, that is, to every plant, the result would inevitably follow that all individual investment of savings in our country's industries for an income would be abolished.

Now such a change in our economic processes would be simply revolutionary and yet nobody seems to be aware of the tremendously revolutionary character of the results which such a change will effect. Indeed, those who propose these revolutionary schemes of industrial reconstruction, do so in apparently entire unconsciousness of their revolutionary character. And they eliminate this important factor of the investment of individual savings for an income, not because they have studied Marx,—for they evidently know nothing about him —nor from any conviction deliberately formed; but from sheer economic blundering, from the fact that they have never seriously investigated the great factors that enter into our economic life. They have not even asked, apparently, what those factors are.

But this is not all. What these immature reformers will do from sheer economic incompetence and blundering, *the whole Socialist party proposes to effect from deliberate conviction.* For it is a fact, of which all persons are not yet fully aware, that the whole socialist party, consciously and enthusiastically adopts the Marxist view of capital and profits. It affirms, with Marx, that all profits, whether in the form of rents, interest or dividends, are sheer robbery. And it avows its determination to abolish all profits and all investment of savings for an income, from our whole economic life. The Socialist party proposes, therefore, not only to secure the public ownership of our industries, but to revolutionize our economic principles and methods, and

annihilate all possibility of investing one's savings for an income.

Thus, the economic teachings of Karl Marx have taken possession of the whole Socialist party and are maintained by all its members with almost fanatical determination. The dogma that profits are nothing but the robbery which capital exacts from labor and, therefore, must be abolished, is assumed by every good socialist as almost a self-evident truth. It is taught or assumed in all socialist literature. It is taught in every socialist school, it falls from the lips of every socialist orator. No accredited socialist agent is permitted to sell literature that opposes this Marxist view. And all socialist writers, hitherto, have avowed that the coming of the Socialist party into power means the abolition of all profits on capital. "The socialist regime,"—says Spargo, a prominent socialist writer and speaker,—"will abolish profit." (Spargo's *Socialism*, page 160.)

It can be seen, then, that practically every method of industrial reconstruction proposed today, unconsciously or deliberately adopts the Marxist view and will eliminate all investment of savings for an income from our economic life.

The time has come, therefore, when this whole subject of capital and profits must be carefully investigated. If it be true that this question concerning capital and profits has been overlooked in the past by those who seek to reconstruct our industrial system, it must be overlooked by them no longer. Above all, we must not, through sheer economic incompetence and blundering, permit our-

selves to fall into economic error and adopt such changes in our industrial system as shall prove disastrous to our economic welfare.

The disciples of Marx have hitherto regarded the position taken by their great leader as impregnable; and they challenge a criticism of his views. The time has come when this challenge must be met and all socialists and all others interested in industrial reconstruction, should come to inquire most seriously, whether the Marxist view is correct or not. For while Marx was right in his general arraignment of modern capitalism and in his general teaching regarding the class struggle, yet it can be shown that he was wrong in his conception of the nature and use of a legitimate capital. And the socialist party will never be able to reconstruct our industrial system, even if it should come into power, until the members of that party free their minds of the false view of capital and profits which is embodied in all the writings of Karl Marx, their great leader. And every method of industrial reconstruction which consciously or unconsciously falls into the Marxist error and eliminates the factor of capital and profits from our economic life will fail.

CHAPTER II

What is Capital?

THE beginning of the Marxist error concerning capital and profits lies in Marx's wrong conception and wrong definition of capital. For Marx's definition of capital and its use is one-sided and misleading and from this error all his subsequent errors spring.

The Marxist definition of capital.—Marx practically identified capital with mere money (or commodities) employed solely to make a profit; and this profit he implied is always unjust.

In the fourth and fifth chapters of *Capital* he defines "merchants'" capital as money employed in buying and selling for a profit; and he implies that the profit thus made is always unjust,—a proposition which is not true. Thus—to paraphrase Marx's own illustration—when a man buys two thousand pounds of cotton for five hundred dollars and sells it for five hundred and fifty, he makes a profit of fifty dollars in the deal. But says Marx, since the cotton was worth no more when he sold it than when he bought it, the profit of fifty dollars is an unjust profit. He bought and sold the cotton not for use but for profit. Now, says Marx, when a man takes money and employs it to buy and sell commodities not for use but for profit, the money

so used is capital—" merchants' " capital. And the man who so uses it is a capitalist, and to use money in this way for profit is one form of capitalism. " Money which begets money,—such is the description of capital,"—says Marx,—" from the mouths of its first interpreters, the merchantilists." " Buying in order to sell, or more accurately, buying in order to sell dearer, appears certainly to be a form peculiar to one kind of capital alone, merchants' capital."—(Marx's *Capital*, Vol. I, page 173.)

Having thus defined the nature of " merchants " capital as money used to buy and sell commodities for a profit, Marx proceeds in chapters six, seven and eight, to show what industrial capital is. For industrial capital is, according to Marx, money used to hire labor for the purpose of making a profit out of the worker by paying him *less than his labor is worth.* Thus a manufacturer of cotton yarn hires a man to make yarn in his factory. Now the cost of supporting a working man is, we will say, says Marx, only eighty cents a day, and this is all that the capitalist pays the worker for his day's work. But a man's work is able to produce twice the cost of his support, or one dollar and sixty cents a day. The capitalist makes, therefore, a profit, and an unjust profit, of eighty cents a day from each worker. Thus the capitalist robs the worker of the " surplus value " of his work, that is, of the surplus earnings above the bare cost of his support. Now says, or implies, Karl Marx, money thus used in order to employ labor and make

a profit by robbing the worker of this "surplus value" of his labor is industrial capital. And money is industrial capital only when so used.

Thus Marx divides all capital into two great divisions, of which there are several subdivisions. The two great divisions are "*merchants*'" capital. and "*industrial*" capital. The former is money used to buy and sell commodities for a profit—which Marx assumes to be always unjust; and the latter is money used in buying and exploiting the workers' labor-power for a profit, which is also always unjust. Both uses of capital are therefore, according to Marx, forms of robbery, and all profits are robbery.

All Marxists,—and that means practically the whole socialist party—agree with this definition of capital and the origin of the capitalists' profits. Furthermore, the profits of both forms of capital are traced back to labor, since, say all Marxists, labor produces all things. "From the surplus of the laborer's product over their necessary cost of subsistence," says John Spargo, a prominent Marxian socialist,—"the capitalists derive their profits. This is the Marxian theory of surplus-value in a nutshell. Rents, interest, and profit, the three great divisions of capitalist income into which this surplus-value is divided, are thus traced back to the fundamental exploitation of labor."—(Spargo's *Socialism*, page 205.)

Such is a true exposition of Marx's conception and definition of capital. Marx's method of reasoning is most labored and his meaning hard to grasp.

He takes twelve pages to express what a more skillful reasoner would say in twelve lines. His terminology is ancient and outrageously perplexing. In the same sentence, he will employ the term " value " in three different senses. With him, this word sometimes stands for cost, sometimes for price, and sometimes for utility. It is only by going through each page with pencil in hand and carefully translating each term into comprehensible English that his meaning becomes clear. Not one socialist in a thousand, it may be presumed, ever reads him. And it is only by reading and re-reading his book with pencil in hand that one learns what he is trying to say. But difficult though it be to understand Marx, yet the foregoing pages give the true exposition of his conception and definition of capital, and this appears to be the idea of capital which lies back in the mind of all thorough-going Marxists, and all members of the Socialist party.

Assuming that the foregoing exposition is correct, it can be perceived that capital, according to Marx, is primarily money, and it is money used, not for service, but for the making of a profit, which he assumes to be always robbery. And a capitalist in his mind, is one who employs money for this specific purpose. And " capitalism," a term much used by Marxists, means the employment of money not for useful service, but either in buying or selling commodities to make a profit, or in the employment of labor for the purpose of robbing the worker of the " surplus value " of his labor, that is, its value, above the mere cost of his support. Capital, there-

fore, according to Marx, is always predaceous; capitalism is always a disguised form of robbery, and all profits are disguised plunder.

2.

Is Marx's conception of capital and profits correct?

While it must be admitted that the extortion of unjust profits is a characteristic of modern capitalism and that this is the crime of the age which it is the mission of the present generation to abolish, nevertheless, in this definition Marx has given a one-sided, and, therefore, incorrect and misleading definition of capital and overlooked its true use and function. And this is the beginning of his error.

What, then is capital? Two agents are employed by man in the supply of human needs. The first is man's own power to work, the second is the productive power of agents outside of man, which man uses such as land, horses and machinery.

Now the name which economic science applies to man's power to work is labor or labor power. The name which it applies to all those agents which man uses, outside of man, is capital. And these two agents must be carefully distinguished, if we are to do any correct economic thinking.

To illustrate. Here is a farmer plowing his field. The whole energy of body and mind which he employs in holding the plow and driving the team is labor or labor power. But the horses, the plow and the harness, are all forms of capital. For they are the agents outside of the man which the man uses in the plowing of the field. The land is also a form of capital.

For he uses it in human service, as a source of income. For when he shall have plowed it and sown it with seed, the forces of soil, rain and sun will go to work and produce the harvest. The farmers' house and barns, and even the clothing which he wears, are also for the same reason forms of capital.

Certain economists have endeavored to restrict the application of the term capital to those material agents that are employed in "production" only. Thus the money which a man might employ in building and running a saw-mill would be capital; but the money which he uses in buying, furnishing and running his house, say they, is not capital; for it is not used by him directly in production. Now while it is important for a man to distinguish between the cost of running his business and the cost of running his house, nevertheless, the restriction of the term capital to the former alone is fallacious, confusing and misleading.

For capital may be, indeed, correctly defined as wealth viewed *as the agent of production, or more correctly, as the source of income. But all wealth, properly viewed is, directly or indirectly, a source of income.* This income may accrue in the form of money or it may come in the form of some direct and useful service. But in either case it is a real income and it is the equivalent of an income in the form of money.

Take for example the house in which a man lives. That house performs for him a real service. It is, therefore, to him a real source of income. If he did not possess that house, he would have to

pay rent to somebody else if he would enjoy the same comforts. The house is, therefore, a real source of income—an income equivalent to the rental which he would have to pay for another house of the same character. So also even the automobile which the man owns and uses for pleasure is capital. For it is a real source of income to the owner. For if he did not own that automobile, he would be obliged to pay rental to another man, if he would enjoy the same pleasures. The automobile, therefore, brings him in a real income, which is the equivalent of the rental which he would otherwise have to pay to another man. The boy who begins life owning only the clothes on his back and one dollar in his pocket, has, strictly speaking so much capital to begin life with. He is so much better off than the boy who does not own the clothes on his back. And if he owns a house and lot besides, he has in reality that much more of capital to begin life with.

The truth is that in order to meet all human needs, all these various material agents are required. Whosoever, therefore, is possessed of these utilities, is possessed of just so much capital with which to sustain life and supply his needs. Both the house and the business are the necessary factors of the same great whole. The one ministers directly, and the other indirectly, to human needs. Both are equally necessary and, therefore, both are forms of capital.

True economic science teaches, therefore, that the thing with which capital is to be compared is not

wealth, but labor. For capital and labor belong to the same category in that both are productive and both are the correlative parts of the same great whole; they are the two necessary factors employed in all human service. We cannot, indeed, produce a single thing, nor perform any service for man, without the employment of both capital and labor. The two are related to each other like the two blades of shears, both of which are necessary to cut.

And yet the two are distinct, and we need two distinct terms to distinguish the one from the other. In every enterprise in which man may engage, in every service which he seeks to perform, he must employ and take into careful account the amount of capital, on the one hand, and the amount of labor on the other, that are necessary to achieve the task or perform the service. Now the term labor stands for all the energies *within man*, the energies of hand and brain—that are employed in human service; the term capital, therefore, must naturally and logically embrace all those agents *outside of man* which man employs and must employ in human service. Hence, land, horses, hens, when appropriated by man, are forms of capital, because they are external to man and can be employed in useful service. Land produces wheat, horses draw loads, and hens lay eggs. They are all sources of income. They are all types of the same thing. For the same reason locomotives, factories, human homes, schoolhouses, and even our churches and government-buildings and all works of art, are all forms

of capital. *For capital is nothing but nature's forces harnessed for the use of man.*

3.

If the foregoing pages contain the true definition of capital as distinguished from labor, it follows that Marx's definition is one-sided and misleading. For he failed to distinguish that most necessary thing in our economic life which the word capital connotes. Instead of seeing that the word capital stands for those great agencies of nature that have been organized and harnessed by man for the use of man, he identified the term, in reality, with mere money and with money, when used in buying and selling for a profit or in exploiting labor for a profit. But capital is something more than mere money. For money (including stocks and bonds) is, strictly speaking, not capital at all. Money is in reality a title to capital. When a man holds a one-thousand dollar bill in his hand, that bill signifies not that he owns a small colored piece of paper, but one thousand dollars' worth of the capital, or gold of the country. This great truth Marx seems to have overlooked. Marx, indeed, recognized the use of land and machinery. But he viewed them merely as the "tools" or "instruments" employed by labor. He failed entirely to see in them a distinct, productive factor. He confounded them with labor. And here is the beginning of his error.

Furthermore, while capital, especially in the form of money, is sometimes used for the purpose of plunder, yet this is not, as Marx implies, its only use,

nor is this its primary use. For the primary and fundamental use of money as embodied in lands, horses, machinery and human homes, is to contribute to human service. And all capital, as thus defined, is an essential factor in human life and civilization.

Marx's definition of the capitalist is also wrong. For the true capitalist is not necessarily a man who employs money to make an unjust profit or to rob labor. But he is a man who, instead of relying, like the brute or the savage on mere crude human strength or chance to supply his needs, seeks by the intelligent organization and harnessing of nature's forces, to make them work for him and thereby supply his needs with less labor and with far greater abundance and regularity than before.

The first man, therefore, who carved out a flint knife and used it for cutting was a capitalist. The knife was his capital and the service which it performed in cutting was his profit derived from the knife. The first man who made a bow and arrow in hunting was a capitalist. The bow and arrow were his capital and the increase in the number of animals which they enabled him to kill were his profits from the bow and the arrow. The first man who hollowed out a boat and used it for fishing was a capitalist. The boat was his capital and the increase in the number of fish which it enabled him to catch was his profit from the boat. The very word profit means "an increase."

And the true capitalist today is one who instead of relying on mere brute force or crude unassisted labor for the acquisition of wealth and the supply

of human needs, seeks—by the harnessing of a stream in the building of a saw-mill, or by the harnessing of steam or electricity, or by the building of a railroad—to make these material agents work for society and thereby produce far greater results than could be achieved by mere labor alone.

And true " capitalism " is not as Marx makes it to be, a mere process of buying and selling, or exploiting labor, for an unjust profit,—a disguised form of plunder,—but it is the art of so combining, organizing and utilizing nature's agents, as to make them work for man and increase his comforts a thousand-fold. The man who, as Marx describes, robs labor and gets possession of the capital, which labor creates and appropriates it to his own profit, is not a true capitalist. He is in reality a pseudo-capitalist, an exploiter and plunderer of both labor and capital. And it is imperative that we distinguish between the real honest capitalist who justly creates and employs capital for the use of humanity, and receives a just income from it, and the pseudo-capitalist, or dishonest capitalist who by astute business management, while the worker is asleep, plunders the worker of what is rightfully his.

If the preceding pages give a correct definition of capital and of capitalism, it is easy to see the beginning of Marx's error, namely, in his narrow and one-sided application of the term capital. For Marx has taken a mere adventitious phase of capital and capitalism and identified that with the whole thing. He is like the man who, because *some* of the money in the country is counterfeit,

affirms that *all* money is counterfeit and, therefore, that the sole use of money is to deceive and plunder. And this is the fallacy that underlies all Marx's reasoning and runs all through his book from the first illustration which he uses down to the very last page. It is the logical fallacy which in college our professor of logic called the fallacy of the "undistributed middle,"—a fallacy which is often used, is very deceptive, and against which he warned us to be on our guard. Marx by assuming that, because some capital is used for plunder, therefore, all capital is used for plunder and all the earnings of capital are plunder, begs the very question at issue.

In conclusion, it should be said that it is doubtful whether in all Marxist literature a single instance can be found where any Marxist has made the least attempt *to prove* that profits, in the form of rents, interest and dividends, are plunder. This proposition is always dogmatically assumed as self-evident. It is taken for granted. And then, on this false assumption, the whole Marxist economic philosophy is built. And the whole Socialist party has been caught by this fallacy.

PART II

The Productivity of Capital—Rents, Interest and Dividends

CHAPTER III

The Productivity of Capital

THE fundamental assumption of Marx was, as it has been said, that labor produces everything, that capital produces nothing, and that, therefore, all profits, whether in the form of rents, interest or dividends, are nothing but the robbery which capital exacts from labor and, therefore, should be abolished. Whosoever is familiar with Marxist periodicals and other literature will testify to the constancy and emphasis with which this affirmation is made. To give a single instance among a thousand. The Appeal to Reason, a strong Marxist journal, said in the issue of August 19th, 1910, in the column headed "Asking About Socialism," *that "under Socialism there will be no taking of interest"* and *"no profit-taking."* And because of this, *"there will, therefore, be no investments" under Socialism.* And the same paragraph goes on to declare that if, under Socialism a man should "invest" the sum of $100,000 in the industries of the country, he would receive nothing for its use. And the journal constantly declares that Socialism will abolish all this profit-taking because such profit-taking is sheer robbery.

In opposition to this affirmation of Marx, a sound economics maintains that capital, when correctly

defined, is productive and performs a real service for man. *Capital earns a real profit and performs a real service for the owner or user of it.*

Here is a young man who begins adult life with two hands and two horses. His hands represent his power to work, his horses are his capital. Will anyone say that those horses can produce nothing and perform no service for the owner? Suppose that the young man should hire himself and team to plow a field. Will anyone be so hardy as to say that the horses can do nothing toward the plowing of the field.

The capital now invested in American industries and otherwise amounts to one hundred and twenty billions of dollars in gold. It embraces farms, cattle, horses, railroads, telephones and telegraphs, coal-mines and oil-wells, and human homes. Will anyone say that all this capital—all these great material agents, created by human labor, produce nothing and perform no useful service ?

If all this capital were annihilated today, it would require twenty-five years of toil on the part of the combined adult population of the country to reproduce it. Now if all capital were unproductive, if it performed no useful service for man, why should men spend these many years of the severest toil in creating it ?

The fact is that capital is enormously productive; and the use of capital marked the very beginning of civilization. As it has been said before, the first man to make a flint knife was a capitalist, and in the making of the knife, he took a decisive step toward

civilization. And the primitive man who first caught a cow and, instead of killing and eating her on the spot, corralled her and made her work for him, was a capitalist and took a very long step toward civilization. The cow was his capital and he corralled her because she was productive. She furnished him with milk, butter and veal, and *these were his profits from the cow*, and they greatly added to the comforts of life. When man thus learned the use of capital, he acquired one of the most fundamental factors of civilization and without capital, civilization would perish. Indeed, in the future, capital will play an ever increasing importance in human life. And if the time shall come when, as some socialists aver, four hours' work per day will supply all our material necessities, they will do so only because we shall have acquired so much capital and made it so productive that we can, so to speak, sit still a good part of the time while our capital, that is, our farms, horses and machinery are working for us.

2.

But there is another truth concerning capital which must also be emphasized. It is this. Capital is not only productive, but *it is able to produce far more than its cost.*

Marx, in his discussion of the productivity of labor, says that labor will produce twice the cost of its production and support. Thus he says that it costs eighty cents a day to support labor, but the laborer is able to produce one dollar and sixty cents worth of yarn or eighty cents more than his support.

And this eighty cents he calls the surplus value of labor.

Now what is true of labor is true, to a far greater degree, of capital. It also creates a surplus value above its cost.

Here, for example, is a man in New England who lays a pipe from the spring on the hill-side above his house into his kitchen. That simple system of water-works is so much capital which his own labor, we will suppose, has created. Now, that simple system of water-works is productive, it performs a most useful service for the owner. But this is not all. It produces far more than its cost. For the cost of making and laying that pipe was, we will say, the equivalent of twenty days of labor. But, by bringing the water down the hill into his very kitchen ready for use, it will perform a service equivalent, we will say, to twelve hundred days of labor. It performs a service, therefore, sixty times greater than its cost. It, therefore, certainly creates a " surplus value " above its cost.

Indeed, this fact that capital will produce an income far greater than its cost and care is recognized by all intelligent men. The full earnings of capital are called its gross earnings or gross profits. The surplus which capital earns above its cost and care is called its " net earnings " or " net profits." If capital were not able to earn a surplus, and a large surplus, above its cost and care, it would not be employed nor would men take the trouble of creating it.

Would a man clear up, fence off, and cultivate a

farm, if the produce was relatively less than the cost of the farm and the labor of caring for and running it? Would men build locomotives, if the service which they performed was relatively less than the labor necessary to manufacture them and run them? Certainly the only ground for the creation and use of capital lies in the fact, not only that there is a profit in it, but also that the profit accruing is far greater than the labor put into its creation and care.

3.

This great truth of the productivity of capital seems to have been entirely overlooked or dogmatically denied by all Marxists. Spargo, a prominent Marxist, in trying to affirm that all profits are the plunder exacted from labor, says (referring to the old abstinence theory of profits),—"Abstinence (self-denial), obviously produces nothing; it can only "save the wealth already produced by labor, and *no automatic increase of that stored wealth is possible.*" (Spargo's *Socialism*, page 205). The italics are ours. By this italicized phrase, Spargo evidently affirms the non-productivity of capital. But in this affirmation, he is grossly wrong. When the farmer plants a field with apple-trees and berry shrubs, will not these trees and shrubs, for a time at least, automatically produce fruit for the farmer? The farmer domesticates a small herd of cattle and turns them into a large fenced field for the summer. Will not that herd go to work and automatically produce milk and calves for the farmer, and will it not multiply automatically so that the farmer will

own twice as big a herd in the Autumn as in the Spring? The farmer builds a water-pipe from the spring up in the hills, to his kitchen. Will not that water-pipe automatically supply his house with water for years to come? And yet all these things are capital.

Without doubt it is possible to store up wealth in such a way that it will go to waste. And it is possible to utilize capital in such a way that it will produce very little. There is a wise and unwise use of capital. A house that is allowed to stand idle and uncared for will, indeed, perform no useful service for anybody; and vast amounts of manufactured clothing stored up in warerooms and allowed to be eaten by moths will automatically do nothing useful and will produce nothing. But capital that is skilfully harnessed and wisely utilized is productive, indeed, far more productive than human labor. It will do what human labor alone cannot do. It will produce thousands of bushels of wheat, carry enormous loads, bore through mountains, and even enable men to fly through the air.

And contrary to the teachings of all Marxists, it can be affirmed that *capital will breed capital, and money will breed money, with no injustice to anyone.*

Marxists condemn "the breeding of one dollar by another dollar" as as if it were something "horrible and to be abolished." Nevertheless, it is a fact that one dollar, when skilfully invested, will breed another dollar and no robbery need be committed in the process. A certain farmer's boy invested a dollar,

which he had earned, in two hens. These hens immediately went to work and produced, in a short time, twenty pullets, which sold for twenty cents a piece or four dollars. The boy's one dollar had bred four dollars, and he had robbed no one in the process. The hens did the work for him. And this ability to make capital breed capital, that is to make it grow and multiply under our hands by the use of nature's forces is one of the fundamental factors of civilization and progress.

When the wrecked Robinson Crusoe accidentally dropped a few grains of wheat from a mouse-eaten sack on the ground in front of his cave-home, those few grains produced a large handful of wheat during the summer. This handful, Robinson Crusoe carefully preserved and sowed in the following season. And from those few grains, accidentally preserved, he soon had produced a large field of growing wheat. And yet Robinson Crusoe had exploited no one, for he was then the only man on the island. And what Crusoe did with the few grains of wheat, he did with everything else that he succeeded in bringing from the ship, and with everything that he discovered on the island. He caused everything under his hands to grow and multiply and yield a service to himself and produce a hundred fold. When he landed on the island he was a poor wrecked mariner; when he left the island he was a wealthy nam because he had made everything to grow and multiply under his hands. He was a thrifty capitalist.

What Robinson Crusoe did for himself on his lonely island, the Almighty evidently designs all

humanity individually and collectively to do for itself on this beautiful earth, namely to conquer nature's forces and make them work for man and to grow and multiply and produce a hundredfold. Indeed, the Almighty did not intend man to live, as it can be shown, so much by labor as by capital, that is, by nature's forces harnessed and reduced to human service. For man, physically viewed, is, relatively to his size, the weakest of all creatures. He cannot run as fast as the dog, nor fly like the bird, nor climb like the monkey, nor draw as big a load as the ox or horse, nor, unarmed, fight as good a battle as the bear or tiger. Even a small wildcat will kill an unarmed man. Throw a man with his hands only on the earth anywhere and he is less capable of making a living than any other creature.

But, though weak physically, man excels mentally. And by the powers of his mind he is able to do what the lower animals can not do. He can harness nature's forces and make them work for him, and he is able thereby to produce for himself a thousandfold more than all the animal creation put together. It is a fair inference, therefore, that the Almighty intended that man should live not by crude physical labor, but by his brains, by his brain-power applied to nature's forces in making them work for him. But this method of living is possible only because nature's forces, when properly harnessed and utilized, are productive. While, therefore, no man has a right to harness and exploit his fellow-men—indeed, this is the crime of the ages which this age seeks to remedy—never-

theless, every man has a right to harness and exploit nature's forces, outside of man, to the full extent of his power. And to do this is not robbery, and neither are the profits, which the capitalist thus obtains, the fruit of robbery. They are the products of those natural agents which he has had the foresight and the skill to harness.

4.

This chapter may be concluded by saying, *first*, that, contrary to Marxism, capital is productive; it earns a real profit and performs a real service for the owner. And, *second*, it is enormously productive. It produces a profit or service far in excess,—indeed, sometimes many hundred times greater than the equivalent of the labor expended in its creation and use. It can be perceived, therefore, *third*, that the profits of the capitalist do not necessarily come from the robbery of labor but from the capital, the land, the horses, the cows, the hens, the water-power, the electricity, which he has harnessed and employs. When the farmer builds up through the years a large and thriving agricultural plant, with cultivated fields and barns with an adequate water-power system, with an electric motor, and vast herds and flocks and poultry,—so that the product of the plant is many times greater than his own need, and when he takes the surplus and sells it at a fair price, this profit is not necessarily the fruit of robbery, but the legitimate earnings of this vast plant, this complex capital, which his labor, through the years has created.

While, therefore, it must be admitted that there is such a thing as the criminal exploitation of labor, nevertheless, it must be affirmed that all profits are not plunder and all capital is not the agent of plunder. And until the Marxists come to see this, they can entertain no legitimate hope of remedying present wrongs nor of reconstructing our present system.

This productivity of capital, it should be said in conclusion, is indeed one of the most important economic principles which we should recognize and it leads to most important results, as it shall be seen in the chapters which follow.

CHAPTER IV

Legitimacy of Rents, Interest and Dividends

THE important truth that capital is productive brings us to two other important propositions. The first is this. The profits which are earned by capital, however great they may be, should go, in every case, to the man who rightly owns the capital, that is, to the worker individually whose labor of hand or brain created it or justly purchased it. And if two or more men go into business together, then these profits should be divided justly according to the amount of capital invested by each.

The grounds for this affirmation are that the production of capital costs labor; and it often costs many years of the severest toil. Hence, the worker who undergoes self-denial and toil in the creation of capital and the harnessing of nature's forces, has the right to receive all that this capital, or these forces, really produce.

For take again the young man with the two horses. Those horses, we will suppose, are the product or purchase of his own toil. Who will say, therefore, that the earnings of these horses, say two dollars and a half a day, should not rightly go to him? If it be true, as Marxists affirm, that the worker has a right to the full product of his labor, then is it not also true that he has a right to the full product of the capital that his labor creates?

And the earnings of the team should go to the owner whether he drives the team himself or hires someone else. Marxists everywhere say that the products of capital should go to the owner only *when he uses it himself*. A certain gentleman has repeatedly asked of Socialists, individually and when met together in local meetings, this question, "*If one man borrows another man's horse, should not the borrower pay something for its use?*" And the unanimous reply has been, "*No.*" "*If one man lives in another man's house, should he not pay the owner a rental for the use of the house*"? "*No.*" "*If one man borrows another man's money, should not the borrower pay interest for the use of the money*" "*No.*" And Socialist speakers have constantly said or implied on the platform that if two or more men put capital into a business and hire men to work for them, the owners of the capital should receive no profit or dividend on their capital. On the contrary, all, absolutely all, the product of both the labor and the capital should go to the hired men, the men who do the work.

Hence, Marxists say that when the owner of the horses, in the case cited before, hires another man to drive the team, the hired man should receive the combined earnings of himself and team, or five dollars a day.

In this affirmation, Marxism is wrong. For the plowing of the field is the product of the combined labor of the man and the team. The hired man should receive, therefore, the full earnings of his labor, say two dollars and a half a day. But the

earnings of the team should go to their owner. For the owner of the team is in reality present in the team doing his part of the work.

Again, suppose that a certain worker has put several years of hard labor of hand and brain in the building of a saw-mill, and, owing to illness must hire another worker to run the mill for him. Will not every intelligent man say that while the hired man should receive the full earnings of his labor and skill in the running of the mill, yet the owner should receive the full earnings of the mill? For the mill is his and it is productive. It earns an income, a surplus profit, over and above the work of the hired man who runs it. This therefore should go to the owner. Not to allow this will rob the owner, of all the years of toil put into the creation of the mill and deprive him of all means of support, it will rob him of what is rightly his. And yet all Marxist literature and all literature published by the Socialist party affirms or implies that since the owner does no part of the work in the running of the mill, he should receive nothing. The hired man on the contrary, should receive all—absolutely all—the combined earnings of himself and the mill!

How men can come to such an unjust conclusion is easily understood when we read Marx's "Capital" and attend to Marxist speeches generally. For the word profit in all Marxist literature and speeches is made to be synonymous with "plunder." Holding fast to the dogma that labor produces everything and capital nothing, the Marxist conclusion is inevitable that the hired man should receive the

combined product of his own work and that of the mill. But such a position is sheer robbery—a robbery as outrageous as that ever perpetrated by capital against labor.

2.

Marxist socialists have tried to weaken the force of this argument, by saying: "Capital may be productive when it is used and directed by labor, but it can produce nothing of itself. It is, therefore, not a distinct factor of production, but *the mere tool or agent of labor*. Hence the laborers should receive the full product of the work, but the tools, the material agents, should receive nothing."

The proper reply to this is, first, that the agents of nature employed by man in useful service, are not, as all Marxists imply, mere inert, non-productive things, having no creative power of themselves. Professors in physics tell their students in college that there is nothing really inert or dead in the universe; that the whole material world is composed in the last analysis of molecules or atoms, which are great centers of force, and that they are ever active, putting forth energy, doing their work, upholding the universe and carrying on nature's activities. Even the walls of a house are constituted ultimately of molecules which are ever energizing and ever active. Each molecule is doing its individual work and all act in upholding the walls of the house and protecting the inmates from the storm and the cold. Even the crude flint knife which the savage uses is made up of living, energizing atoms and it is because they are living and energizing that the knife is able to

cut. And, certainly, whosoever will once contemplate the work of the horses in the drawing of the plow or the cow in producing milk and veal, or the hen in laying eggs, or the soil in producing wheat, or the locomotive in drawing its mighty loads, must admit that all these material agents are vital, energizing, active things; they have power in and of themselves to produce and perform useful service for man. They are something more, therefore, than mere inert tools and dead, non-productive agents employed by labor. They are themselves productive as well as labor.

And if it be true that these things can produce little or nothing without the use and directing agency of labor, it is equally true that labor can produce little or nothing without the aid, the co-operation, of these productive agents or forces. Of what value would the man's labor be in the plowing of the field without the use of the horse? And of what value would the man's work be in the saw-mill without the use of the harnessed stream? Reduce a man to the use of his hands alone and what can he achieve?

The truth is that every service performed by man and every function of civilization requires the co-operation, and is the product of both capital and labor. And this truth holds good not merely in the production of man's material supplies, but also in the performance of every high service. Take the great function of education. It is carried on and made successful by the co-operation of both capital and labor. For the school building, with its furniture and apparatus, constitutes the necessary capi-

tal, and the teacher who instructs the mind and the janitor who cares for the building are workers. Even the worship of God can be carried on only by the combined employment of both capital and labor. The church edifice with all its equipments its apparatus for heating and lighting, its books and instruments of music, are all forms of capital and are necessary to the service performed; the preacher and the singers and the janitor—whose service must not be forgotten—afford the needed labor.

Thus every function of civilization can, indeed, be carried on only by the combined employment of both capital and labor. And if it be true that capital can do nothing without the use of labor, it is equally true that labor can achieve nothing without the use of capital. The worker, therefore, who creates, with hand and brain, the capital that is needed for any useful function, performs as necessary a service for humanity as the worker who supplies the labor needed for the operation of that capital. Both are necessary. Both are productive. Each fills a necessary place in production. And every human service is the product of the combined agency of both the laborer and the capitalist, when that word is rightly employed. Hence, when a worker by his labor creates capital and gives it for the use of society, he has a right to receive in return the equivalent of the earnings of that capital.

3.

But if profits are right, wherein lies the wrong of the present system? The wrong of the present

system does not lie in that profits are wrong, but in that the profits paid *are often too great or they go to the wrong persons.* One of the fatal errors of Marx in his discussion of capital lay in his failure to distinguish between the real creator and therefore, rightful owner of capital, on the one hand, and the astute exploiter, or pseudo-capitalist, on the other; for these two classes are distinct from each other.

For who are the rightful owners of the capital of this country and who are those who should of right receive the earnings of that capital? The rightful owners of the capital of this country are the workers of hand and brain whose labor has actually created that capital. And it is these and not the exploiters and plunderers who should now receive the dividends. But who are the exploiters of the people, the pseudo-capitalists, who wrongly receive not only the profits earned by capital but the whole surplus earnings of labor besides?

The plunderers and exploiters of the people, the pseudo-capitalists, are those astute business men who, taking advantage of the profound ignorance and economic slumber of the people, have acquired supreme, irresponsible control of the whole business world, and rob the worker not only of the surplus earnings of his labor,—as taught by Marx,—but thereby *rob the worker also of that capital which the worker creates and which is, therefore, rightfully his.* And this is something which Marx did not point out. The plunderer, the pseudo-capitalist, is, therefore, not the real creator of capital, but he is the astute business man who, taking advantage of

the profound ignorance and slumber of the worker, first gets control of the business and then expropriates the worker of that capital which is rightfully his and then proceeds to draw the dividends which should of right go to the worker. The wrong, therefore, in the present system does not lie in that profits are wrong, but in that those profits are excessive and go to the wrong persons. Farthermore, these misappropriated earnings of capital represent only a small part of the stealings of the plunderer. For the plunderer robs the worker when the worker buys and when the worker sells. He charges excessively high dividends on the capital which he has stolen from the worker; and yet when the worker succeeds in saving and investing a little capital of his own the plunderer pays the worker exceedingly low dividends as, three or four per cent. And the plunderer, having all power in his own hands, robs the worker all the time by low wages and graft unspeakable. It is imperative, therefore, in this discussion of capital and profits that we distinguish between the real creator of capital and, therefore, the one to whom of right the dividends should go on the one hand, and the mere plunderer or pseudo-capitalist on the other, who expropriates the worker of his capital and takes dividends which are not rightfully his.

And in advocating the payment of dividends, a true economics does not advocate the cause of the plunderer, as some Marxist may fear, but of the worker. For a true economics merely advocates that the worker who creates capital should receive the

full earnings of his capital. A true economics no more favors the plunderer than the Marxist, but it does advocate that the worker should receive the full earnings of his capital as well as the full earnings of his labor, and there is certainly nothing unjust in this. And it maintains that in order to do justice, these two kinds of earnings must be kept distinct.

Finally, it can be seen that in advocating the payment of profits on capital a true economics does not advocate the payment of a man a reward *merely for owning something*. Once when a certain person was presenting this subject to a certain Marxian socialist and said, that when a man invested capital in his country's industries he should receive a dividend on that capital, the Marxist retorted—"*Then you would pay a man a reward merely for owning something!*" To which the person replied—"*No, but I would pay a man a recompense for the service which something which he owns performs for the public.*" It is very hard for the Marxist to grasp the idea that capital is productive—and that it performs a real service for humanity; and that, therefore, when any man by the energy of hand and brain, produces capital,—that is, factories, waterworks, railroads, and so forth, for the service of humanity, he has a right to receive the equivalent of the earnings of that capital. And yet such is the case. And the Marxist fails to see that the evil of the present system lies not in that profits, as such, are wrong, but in that the workers are in a condition of profound economic slumber, as

I have just said, and they permit the astute business man to own the business and thereby expropriate the worker of that capital which the worker rightfully owns, and of the profits which the worker should rightfully receive. And to remedy these evils the Marxist fails to see that it is not necessary to abolish profit-taking, but to arouse the worker and move him to combine with his fellow citizens in so reconstructing his country's industries, that the worker shall be no longer expropriated by the astute business man of that capital and those profits which are rightfully his.

4.

Assuming then, that profits when correctly defined are just and should go to the worker or group of workers who rightly owns the capital, *certain propositions concerning rents, interest and dividends are true.*

First, Rents paid for the use of capital are legitimate when not in excess of the actual earnings of the capital used, and when paid to the right person.

In human society, men must frequently exchange not only their labor but also the use of each others property or capital. Now suppose that a neighbor desires the use for a week or month, of the young man's horses as cited before. Should not this neighbor pay something for their use? For with their help not only is his own work made more valuable, but the horses perform a service for him besides. In truth the man who owns those horses is really present in the horses at work for the man who drives them.

Should not the renter of the horses, therefore, pay the owner what their value is worth? But such payment for the use of another person's property or capital is rent. And such payment is perfectly just. Not to pay rent is robbery. And even under a socialized industrial system, the same law would stand and rents would be obligatory.

For suppose that all our industries have been socialized and that the public corporation has houses and horses and automobiles for rental. And suppose that a young man should go to the public corporation to obtain a house for use. Should not the young man pay to the public corporation a compensation for the services which the house performs? And if he should rent a horse or an automobile, should not he also pay a rental to the public corporation for the service which the horse or automobile performs? He certainly should. Not to do so would be the part of a parasite and grafter.

Second, but if rents are right, then *interest* on money is also right. For money represents productive capital,—such as land, horses, cows, machinery, locomotives and so forth. Interest, therefore, is but the rental demanded for the use of those things which money represents. And this payment of interest on money borrowed would be as legitimate and obligatory under a socialized industrial system as under a private system. For money, or the capital which money represents, is just as productive under a socialized industrial system as under an individualized system. Hence, whether the public should borrow money of the

individual or the individual should borrow money of the public, in either case, interest should be paid by the borrower to the lender. Hence, when Marxists say that under socialism the public bank shall lend money *without interest* to individuals, it is advocating what would be unjust and a form of robbery.

Finally, if rents and interest are right, then *dividends* are right, for dividends are nothing but the profits *divided* between two or more men who put their capital into a common business and divide the legitimate earnings of their capital according to justice. And such dividends are right and even obligatory, not only under a private, but also under a public or socialized corporation. For under a socialized corporation capital will be just as productive as under a private corporation. And when under the socialized corporation, men shall put their earnings directly or indirectly into the industries of the country, as they inevitably must, they will have a right to receive the full earnings of the capital which they put in. Not to pay dividends would be robbery.

A sound economics maintains, therefore, that capital, when correctly defined, is productive and in every case the profit or increase earned by capital should go to the worker who rightfully owns it. And this law holds good not only under the private but also under the socialized corporation. Hence, even if Socialism should be introduced each worker should be called upon to subscribe his share of the required capital and a careful record should be kept of the capital which each worker

shall subscribe, and on the capital dividends should be paid. In no other way can we get justice and justly distribute the products of our common industries.

It may be difficult to determine offhand what each worker's capital should receive as compared with the worker's labor. And, certainly, labor should receive, as Marx rightly affirms, its due share of the product of past inventions, the results of increased skill and the increase arising from the proper division of labor. Nevertheless, it is still true that when a worker puts labor into the creation of capital, he should receive the earnings of that capital; and this law holds equally under a private and a socialized system. Until Socialists see this, they can arrive at no just method of reconstructing the industrial world.

PART III

The Practical Bearings of the Subject—The Utility of Capital and Profits

CHAPTER V

The Worker's Two Sources of Income

THIS great truth that capital is productive and that the earnings of capital should go to the worker or workers whose labor produced it or rightly purchased it, has certain practical bearings of the greatest significance, and it is this fact that makes the subject of capital and profits so important in our discussion of the problem of industrial reconstruction. It is these practical bearings of the subject which we are now to study.

The First Proposition to be affirmed is that the fact that capital is productive, supplies every worker with *two legitimate and most important sources of income* which must be carefully distinguished. And it is here where Marxism commits its next error.

For Marxism, beginning with the affirmation that labor produces everything and capital nothing, has been led by the inevitable logic of its position to imply that the only legitimate source of income for any worker is the immediate fruit of labor. All income in the form of rents, interest and dividends, or other profits of any kind from capital, being it affirms, the robbery which capital exacts from labor, must, therefore, be cut off. Hence, in the reconstruction of our industrial system, Marxism avows its purpose to allow no worker to invest any capital in the public industries for an income. And the Marxist

method of reconstruction, if rigidly carried out, will cut off all possibility of the worker's receiving any income from any source except the wages paid to labor. All distinction between the wages earned by labor and the dividends earned by capital will disappear. The whole income accruing to each worker will be in the form of wages and of wages alone. And consequently when the worker stops work all income to him shall cease.

Now this position of Marx is unscientific and entirely untrue to the facts of the case. For there are two legitimate and even necessary sources of income for every worker. And by the term " every worker," is meant just what that term signifies. It does not signify the plunderer nor the pseudo-capitalist. This book does not advocate the cause of the plunderer, but of the worker and the problem before us is, how shall the worker, in a rightly reconstructed industrial system, get the full fruits of his labor? Now a true economic science maintains, contrary to Marx, that for every worker of hand and brain, for every man who believes in honest work for honest pay, there are of right two legitimate sources of income,—two sources which the worker himself needs clearly to grasp and which our industrial administration should ever keep distinct.

The first of these is the *direct earnings of the man's labor;* and the second is *the earnings of his capital* that is, of the capital which his labor creates. The worker who does not recognize this truth is blind to his own interests, and blind to his own rights.

For take the young man who begins life with two

hands and two horses. He certainly commands two sources of income: first, his hands or ability to work, and second, his horses or capital. Each of these sources earns for him, we will say, two dollars and a half a day. He, therefore, possesses two distinct sources of income. And both are legitimate.

The reality of these two sources and their distinction from each other, is seen by carrying the illustration a little further. For let us suppose that by honest labor the young man produces or earns two other horses. These he rents to the public and they net him in rentals fifty dollars a year. What now are the sources of his income? The first source is his two hands, the same as before. This source has not increased. But the second source has increased. He has now four horses instead of two and his income from this source is now one hundred dollars a year, just double what it was before. And this addition to his income is perfectly legitimate. In receiving it, he robs no one. For the whole increase has come from the two additional horses which he now owns.

And as our industries become more and more consolidated and socialized, these two sources of income become more and more distinct. For this great country of ours demands a large amount of labor and a large amount of capital. Its farms must be tilled, its houses must be cared for, its railroads and offices must be filled. Hence, civilization is everywhere calling for workers,—workers of hand and brain to operate all these things. But there is also a vast demand for capital. For all

these vast industrial plants must be built, repaired and renewed, and their value redistributed from generation to generation. There are, it is said, *one hundred and uwenty billions of dollars* invested in the capital of this country. No single industry can be built by the savings of one man. Our industries demand the aggregate savings of the whole people. Hence, these vast industries go to the vast army of workers, teachers, doctors and other professional men and say—"*Give us of your capital, your savings, and invest them in these vast industries, and we will pay you your share of the earnings of the aggregate capital invested.*" And in response to this call this vast army of workers invests its savings in these industries, *and if justice rules, if our industries are rightly organized and justly administered*, each investor will receive back the just earnings of his share of the capital invested. Each person, therefore, will have two distinct sources of income, the earnings of his individual vocation and the earnings of his invested capital.

Here, for example, is a young man, a carpenter, who receives four dollars a day for his work. But he has also invested, say five thousand dollars in his country's industries, in its railroads and factories. These earn and pay to the investors, say, eight per cent. in dividends. Now, that young carpenter has evidently two sources of income. The first is the earnings of his work as a carpenter, which brings him in twelve hundred dollars a year, and the second is the earnings of his invested capital which brings him in four hundred dollars a year.

And both of these sources are perfectly legitimate. For the first is the fruit of the work of his hands, and the second is the fruit of the work of that capital which his labor has created. True economic science maintains, therefore, that there are two distinct sources of income for every man, and when Marxists imply or affirm that there is only one, they are implying or affirming what is not true.

2.

The Second Proposition.—But it is not only true that every worker has of right two sources of income, namely, the earnings of his labor and the earnings of his invested capital, but it is also imperative in all partnerships, if we would get justice, that we shall keep a separate account of the earnings of these two sources for each worker. That is, in all partnerships we must keep a separate account of the work which each man performs and pay him a just wage for his labor, and a separate account of the capital which he invests and pay him a just dividend on the earnings of his capital. By no other method can we secure a just distribution of the products or earnings of our common industries.

Marxists have said, "*Even granting that capital does earn something, why should we keep a separate account of it?*" "*What difference does it make whether we pay the earnings of capital, in the form of dividends or in the form of wages to labor?*" Discerning economists can see that it makes all the differ-

ence in the world. Even a New England schoolboy can see the difference.

If, when men go into partnership, all should put in the same amount of capital and do the same amount of work, it would, indeed, make no difference whether we should keep a separate account of the labor and of the invested capital of each or not. For in that case the earnings both of the labor and the capital of each would be exactly the same. All that would be necessary, therefore, would be to divide the net earnings of the business equally between them

Suppose, for example, that two men should go into business together and both put in exactly five thousand dollars into the business and both do exactly the same amount of work. In that case, it is evident that all that would be necessary would be to divide, at the end of each month or year, the net earnings of the business and justice would be done.

But in very few business partnerships do the men all put in *the same amount* of capital or do the same amount of work. Hence, the only possible way to get justice is by keeping a separate account of the amount of capital which each puts in and pay him the full earnings of his share of the aggregate capital, and keep a separate account of the amount of labor that each performs, and pay him the full earnings of his labor.

Suppose, for example, that two men should go into business together and the one should put in five thousand dollars and the other ten thousand, and let

us suppose that the first works twelve months in the year and the other only ten. It is evident that to pay those men exactly the same amount from the business would be unjust. In order to get justice, it would be necessary to keep a record of the capital put in by each and pay him the full earnings of his capital, and keep a record of the work performed by each and pay him the full product of his labor. Let us suppose that the earnings of the capital is ten per cent. and that each man's work is worth one hundred dollars a month. Then the dividends to the first man would be five hundred dollars and to the second one thousand. But the wages to the first would be twelve hundred dollars and to the second, only one thousand. Thus we would obtain justice. And this is the method actually employed in all rightly organized co-partnerships today and it is perfectly fair.

3.

And under a socialized industrial system—which is but a business partnership of the whole people—this would be the only method by which to secure a just distribution of the products of the system.

For under socialism, all our industries must be capitalized just as under the present system. And this capital must be taken, directly or indirectly, out of the earnings of the individual workers just as today.

To make this clear and still farther illustrate the justice of dividends even under a socialized system, let us give an example. Suppose that a small town

containing five hundred voters should adopt the public ownership of its water supply. Suppose that it should require fifty thousand dollars to capitalize the new plant and that each man is called upon to subscribe and pay in his due quota, or one hundred dollars apiece to provide this needed capital. And suppose that each man does this and the new plant is duly installed and owned by the whole people collectively.

But suppose that to run this plant it requires the work of five men the year round, and that these are duly engaged and get to work; and let us suppose that the water produced during the year by this new plant amounts to eleven thousand dollars, net.

Now the question arises—to whom does this eleven thousand dollars worth of water belong? Does it belong solely to the five working men who run the plant? Should they receive the whole? Marxism says—yes. But is this the true answer? No, for each of the five hundred voters in the town who have put in one hundred dollars a piece into the capitalization of the plant is, in reality, present in his invested capital helping to produce the water. Each voter, therefore, owns some portion of the water produced.

How much, then, should go to the workingmen, the employees, and how much to the investors?

Let us assume that each laborer's work is worth twelve hundred dollars a year. Then according to this estimate, each laborer should receive twelve hundred dollars worth of the aggregate water produced. And the five workers together should re-

ceive six thousand dollars worth. The investors should receive the rest, or five thousand dollars worth of the aggregate.

But there are five hundred investors. How much then should each one receive? Evidently, each investor should receive one five-hundredth part of this five thousand dollars or ten dollars worth of water apiece. For this represents that portion of the water which each investor's capital has produced and is, therefore, rightfully his.

But another problem faces us. It is evident that each employee of the water-plant cannot live on water alone, he does not need twelve hundred dollars worth of water per year. If, therefore, he is paid in water for his work, he will starve. On the other hand, the most of the investors want more than ten dollars worth of water per year, and are willing to pay for it. While a few who are outside of the village or perched on the hills either do not want the water at all, or cannot get it. If, therefore, we pay to each investor exactly his ten dollars worth of water, the most of them will be under supplied, while a few will have what they do not want at all. How then shall we adjust this matter.

Its adjustment is very simple. Instead of paying each worker for his work and each investor for the use of his capital, *in water, we shall take the water and sell it to the public*, allowing each man to buy, at so much per faucet, whatever he wants, much or little. The money thus received, or the eleven thousand dollars, we shall place in the public treasury, and out of it we shall pay twelve hundred

dollars apiece in wages to each employee, and ten dollars apiece in dividends to each investor.

By this method, we shall make it possible for each employee and each investor to receive the full value of his part of the water produced, but in the form of money which he may use as he pleases. The employee may use a small part of his twelve hundred dollars in paying for the water which is supplied him by the very corporation for which he works. But the greater part will go for other things, for food and clothing and other necessities, and a part of it may go into a public savings bank. The investor may likewise use his ten dollars in paying for the water which he has received from the corporation in which his money has been invested, or, if he lives out of town and uses no town water, he may use his ten dollars in buying sugar or some other necessity or, he too, may lay it by in the savings bank. Thus the problem of the just distribution of the water belonging to each is solved.

Now, as we review this illustration, we perceived first, the nature and the validity of dividends even under a socialized industry. For in the example just given, it can be seen that the ten dollars in dividends paid to each investor, were perfectly just, for this sum represented simply the amount of water which his capital produced and, therefore, the amount of water which rightfully belonged to him. But instead of paying him in water, we sell the water to the public and pay him the ten dollars instead. And this sum is his dividend. In like manner, the wages of twelve hundred

dollars which goes to each employee, represents the amount of water which his labor produced, and, therefore, rightfully belongs to him. But instead of paying him in water, which he does not want,—we sell the water to the public, at a fair price, and pay him the twelve hundred dollars instead, so that he, too, may use this amount as he pleases. Thus we distribute the water according to the needs of the public, and at the same time secure absolute justice to each employee and to each investor.

And we perceive the imperative need, in order to secure justice all around, of carefully distinguishing between the earnings of labor and the earnings of capital. We must keep a careful account of the capital put in by each man and pay him a just dividend on the earnings of his capital. We must keep a careful account of the work done by each employee and pay him a just wage for the work which he performs. And we must keep a careful account of the amount of water that each man buys and make him pay for what he buys. Thus we shall get justice.

In conclusion, we perceive that this question at issue between capital and labor is not a question at issue between the exploiter and the exploited classes, but between worker and worker, or between one kind of work and another kind of work which even the same worker may do. That is, it is a question between the work done *indirectly by the worker* through the capital which the worker has created, and the work done *directly* by him in operating that capital.

When, therefore, in the case just cited, it was asked how much of the water should go to the hired men and how much to each investor, the question was not one between an exploiting and an exploited class, but between the relative value of the two kinds of service performed by two classes of workers. For the voters who put one hundred dollars each into the plant were putting themselves to that extent into the plant. And the hired men were themselves among these investors. The five hundred investors performed a service, but they performed a peculiar kind of service. Instead of working like the hired men through the year for the plant, they gave their labor beforehand to the harnessing of nature's forces and in making nature's forces work for them. And the question merely is, —how much should they receive for the service which those forces thus harnessed performed?

CHAPTER VI

The Principle Determining the Earnings of Capital and Labor

IN the last chapter it was shown that to every worker there are two legitimate sources of income, namely, first, the earnings of his labor and, second, the earnings of his capital. And we have seen the importance of keeping, in every partnership, the record of these two sources perfectly distinct and then paying each man the full earnings of his work, on the one hand, and the full earnings of his capital, on the other hand. In no other way can justice be attained.

But this brings us to a most important inquiry. It is this. *By what principle shall we determine the amount of profit to be paid to capital as compared with labor?* For it is quite difficult, as I have said before, to determine offhand, in any given business, just what are the earnings of labor on the one hand, and what are the earnings of capital on the other. If, therefore, we can find the correct principle by which to be guided in the matter, we shall be greatly aided in solving this problem. What, then, is the correct principle to guide us in determining the dividends to be paid to capital?

It is right here where a sound economics must again take issue with Marx and all Marxists. For

a sound economics must maintain that the law determining the earnings of capital should be the same as that determining the earnings of labor, namely, *its productivity*.

2.

For what is the law determining how much should go to labor?

In answer to this question, a sound economic science will agree most unreservedly with the teaching of socialism and say that the amount that in every case should go to labor is the full product of the labor performed. In other words, *the law which should govern wages is nothing more nor less than the productivity of labor.*

There are people today—economists and others,—who will gravely argue that the laborer ought to receive at least sufficient to give him and his family *a support.* He should receive enough to pay for the cost of his keeping. And those who take this position often think themselves to be quite generous in maintaining it. And this seems to be the idea underlying the "minimum wage bill" that is so often advocated. The truth is that many persons still view the laborer as hardly a human being. He is a sort of lower animal who should be comfortably fed and clothed and housed. To do less than this would be a species of cruelty to animals. But more than this is hardly to be required and certainly not to be expected.

Now one great truth which Marx emphasized in his book—*Capital*—is that the laborer is able to produce in a day's work a great deal more than

the bare cost of his support and the support of his children. Marx affirmed that the weaver of cotton yarn could produce at least twice as much as his living came to. And today there are those who say that the laborer produces in a day's work three or four times more than the bare cost of his living. In short, labor produces what Marx called a "surplus value" above its cost.

Now it is a fact that in the past, down to the present day, it has been largely taken for granted by so-called business men, that the employer has a right to appropriate this whole surplus value or product of labor—that is, the surplus above the bare cost of the laborer's support. The business man feels that it is right for him to "make all he can" and to grasp all he can. But the laborer is to be satisfied if he is paid barely enough to live. And if the despotic capitalists of today are willing to fix for the laborer a minimum wage by law so that the laborer shall not be literally starved to death, the laborer is expected to be most grateful to those who pass the law.

Now Marxism comes and declares that the laborer is a human being; that he is made in the image of the eternal as truly as the exploiter who plunders him,—that the worker has just as high aspirations and just as great a desire for a good home, for an education, for an automobile, for music and culture, as the plunderer at the top. And Marxism declares that the worker of hand and brain, since he performs the work of the world, has a right to own the world, and that he has a right, therefore,

to receive, not merely enough to live, but *the full product of his labor, surplus earnings and all.* And Marxism affirms that the workers should awake from slumber and resolutely unite and acquire control of the whole industrial world and, dethroning the plunderers, they should take to themselves the full product of their labor. Now, in all these declarations, Marx is right and grandly right. And in all these things, a true economic science must stand with him all the time. In short, a true economic science maintains, with Marx, that the principle that should govern society in determining the wages to be paid to labor is not the *cost of the support of labor* but *its productive power* and that the worker should in every case receive *the full product of his labor.*

It may be difficult to determine offhand just what this is. It may be hard to determine the relative worth of the man who is slow of mind and is able to do no higher work than the handling of a spade or plough, and the man who with large mind, can superintend a great plant and give his whole mind to the task. And yet it is a great help towards the solution of the problem, when once we grasp the right principle by which to be guided. And when we say that every man is to receive the full product of his labor, we have taken a great step towards the solving of our problem, and with experience and discussion, the problem can be satisfactorily solved.

3.

But what is the reward that should go to capital? What is the principle that should guide us here?

It is right here where a true economic science must take issue with Marx and all Marxists. The common reply which is made by Marxists to the question—"How much reward should go to capital?" is—"*nothing at all.*" Marxists have been asked again and again—"if one man should borrow another man's horse for a month or a year, should not the borrower pay to the owner a rental for its use?" and the reply invariably has been—"No, the borrower should merely return the horse at the end of the month or year in as good a condition as when he received it."

But certain Marxists have admitted that there are conditions when a certain rental on capital should be paid. But they affirm that the principle that should determine the amount of rent to be charged is *the bare cost of the thing rented* so that the man should get back in the aggregate merely the equivalent of his labor put into the thing rented.

To illustrate, suppose that a certain house which is offered for rent has cost the owner, we will say, just $3,000 in labor. And suppose that it will serve the purpose of a dwelling for, say, one hundred years. Now, say some Marxists, the rental on that house should amount in the aggregate to just the cost of its production, or $3,000. And the rental per year should, therefore, be just $3,000 divided by one hundred, or thirty dollars a year; and this is all that the owner can rightfully charge as rent on the house. So also in the case of the saw-mill cited in a previous page. Suppose that the saw-mill has cost the owner of it $5,000; and suppose

that it is able to do service for one hundred years. Then, according to Marxism, when the man rents it to others, the rent which he has a right to charge for the mill is just fifty dollars a year. In other words, he has a right to charge such a rental, year by year, as shall enable him to get back, in the aggregate, merely the original cost of the mill. In short, Marxists teach that the principle determining the rental to be charged for the use of another's property is, at most, merely *the cost in labor of the thing rented.* And it affirms that the owner has a right merely to get back in rents, in the aggregate, the amount of labor which he has put into the production of the thing rented.

Now Marxism enunciates here a wrong principle, for that principle which should determine the amount of income which a man should receive from his capital is precisely the same as that which should determine the income to be received from his labor, *namely, not its cost, but its productivity.*

For, in the first place, capital is able to produce, as it has been shown before, far more than its cost and care. Marx indeed, has justly emphasized the fact that labor will produce far more than its cost and support; and this surplus which labor is able to produce, Marx calls its "surplus value." But capital is also able to produce far more than its cost and care. *It has, therefore, a surplus value as well as labor.* A cow, under proper conditions, will produce far more in milk and veal than the cost of her raising and keeping. A team of horses will do far more work than the mere equivalent of the

labor expended in their production and use. A steam locomotive will probably do a hundredfold more service in the aggregate than the equivalent of the labor put into its creation and employment. And a saw-mill that will cost five thousand dollars will produce, in net results, say, ten times more than its cost or, say, five hundred dollars a year. There is, therefore, a surplus value to capital as well as to labor. Indeed, as I have shown, it is because capital is able to yield a return far in excess of its cost that men go to the labor of creating and employing it.

Now, just as Marxists rightly insist that the wages paid to labor should be governed not by the cost of labor but its productivity, and just as they rightly insist that every worker should receive the full product of his labor, however great that may be, so a true economic science must maintain that the earnings of capital should be governed not by the mere cost of the capital, but by its productivity. And as the worker should receive the full product of his labor, so also the creator of capital should receive the full product of his capital.

Hence, for a group of men to say to the owner of the saw-mill—referred to before—"We will pay you in rental per year merely the proportional equivalent of the labor which you have put into the mill and we, who have done nothing toward the creation of the mill, will appropriate all the surplus earnings of the mill,"—would be sheer robbery. And it would be precisely the same kind of robbery as when the capitalist today robs the

worker of the surplus earnings of his labor. And if the mill was able to produce a net earning of five hundred dollars a year, to pay the owner fifty dollars would result in robbing him of four hundred and fifty dollars a year.

The fact is that the owner created the mill to earn an income from it. While, therefore, the men who rent the mill have a right to receive the full product of their labor (and skill) employed in running the mill, yet the owner has the right to receive the full product of the earnings of the mill. Any other position is robbery.

The truth of this position is confirmed by contemplating the effect of adopting the reverse idea. For suppose that we should adopt the Marxist law that all rentals and dividends are to be determined not by the productivity of the capital or the service rendered but by the cost of the capital rented or employed, and what will be the result? The result will be that utilities that differ greatly in value yet happen to have cost the same amount of labor in their production, will receive the same rental. Here for example are two houses the cost of which has been exactly the same; but the one is a far better house and better located than the other. Now according to Marx, the man who rents the poorer house should be compelled to pay the same rental as the man who lives in the better house. Will this be fair? Will the man in the poorer house stand for it? Here are two horses in a public livery. Both have cost the same amount; but the one is swift, gentle and trustworthy; the

other is slow, vicious and tricky. And yet, according to Marx, the man who rents the bad horse should be compelled to pay the same rental as the man who drives the better horse. Will humanity submit to this treatment? No. The world will say that the man who lives in the better house must pay the larger rent and the man who drives the better horse must pay also more than the man who drives the poorer horse. And all will say that in all cases the pay should be determined not by the cost of the thing used, but by the relative service which it renders. In other words, the pay which capital should receive should be determined not by its cost but its relative productivity.

It must be admitted that there are certain real difficulties in the application of this principle to capital which must be taken into account. The subject of the actual reward of both capital and labor is more complex than at first may appear. But it can be shown that the same difficulties occur in the application of the principle to labor as to capital and that the one is not more complex than the other. And it can be shown that whatever be the considerations and perplexities entering into the determination of the value of either, the fundamental law lying behind these considerations and perplexities and determining the value of each is its productivity.

It is a fact, therefore, that the same ultimate principle determines the reward of capital as the reward of labor. And since that man who performs a certain amount of work for humanity should

receive in return the full product of his labor, so, for the same reason, the man who creates a certain amount of capital for the use of humanity has a right to receive in return the full value produced by that capital. And when Marxism declares that the worker has a right to receive the full product of his labor, but not the full product of his capital, it is taking an illogical, a self-contradictory and an unjust position—a position that will make the remedy of present wrongs an impossibility.

CHAPTER VII

The Practical Utility of Capital and Dividends

THIS fact, that capital is productive and is a legitimate source of income to the worker, distinct from labor, is no mere abstract proposition, of academic interest only. It is a fact of supreme practical importance. And instead of being overlooked and, worst of all, deliberately eliminated as Marxism affirms, it should be most carefully preserved. For this fact has given birth to one of the most important factors in our economic life—a factor which lies at the very foundation of civilization and progress. For it is this fact that provides the way by which each worker can increase his income from year to year, win economic leisure, enlarge the realm of human life and happiness a thousandfold, and prepare for sickness and old age.

In support of this affirmation it can be shown, first, *that it is this productivity of capital that enables man to increase his present income a hundredfold, and lays the foundation of civilization.*

Human labor alone, that is, human labor unassisted by developed capital, can produce and acquire very little. Throw any man upon this earth anywhere with no machinery, no tools, without even a club

or bow and arrow, and what can he achieve? In his bodily powers alone, man is less equipped for the struggle for existence than almost any one of the lower animals. The squirrel, the bird, the ox, are each better fitted to make a living than man when he is unassisted by tools, land, and machinery. And this is why the life of the savage is so meagre and precarious. The savage knows little or nothing of harnessing nature's forces and making them work for him. He knows almost nothing about tilling the soil and making it productive. He knows nothing of harnessing the stream to turn the mill. He knows nothing of the power of steam and electricity. He knows almost nothing of the use of timber in the structure of his houses and other buildings. Hence, the life of the savage is destitute and hard. He has occasional feasts with long periods of starvation. He broils in the summer and freezes in the winter. The earlier Arctic explorers found a tribe of Esquimaux, about two hundred in number, living on a narrow strip of land on the west coast of Greenland north of the Humbolt glacier. During the short summer, when sea birds flock to that coast in millions for nesting purposes, the tribe feasted in plenty. During this season an Esquimau woman could go out and catch, in a few minutes, enough birds and eggs to furnish a feast for her family, as easily as a New England woman could go into her garden in the summer, and gather enough vegetables for a generous dinner. But when winter came and the birds had departed, not a few of the tribe frequently died

of starvation. And yet, if the Esquimau only knew, he had a cold storage plant, in the vast glaciers at his very door, in which he could store away enough dressed birds to keep him supplied with an abundance of food the year round. Mr. Mackay, industrial missionary to the natives in Central Africa said that the inhabitants of that region, when he first went among them, knew nothing of the use of so simple an instrument as the lever. They did everything by mere brute strength. If they desired to move a stone, they applied their naked hands to it and sought to lift it by mere brute force.

And even in civilized lands, the chief cause of the poverty of a large number of workers is the fact that they seek to live by mere crude labor alone. They know nothing of the saving and the investing of their savings for an income. They work and they spend at once, all the fruit of their work. Many seem never to have obtained the remotest idea of saving and investing for an income aside from that of labor. The result is that their lives are like that of the savage, meager, insufficient and they are tied to the yoke of toil like a slave to his task.

Furthermore, he who depends upon the work of his hands alone for an income, cannot hope to secure any great increase as the burdens of life grow heavier. It is evident that as a man grows older and his family increases in number, he needs a larger income. But the man who depends upon his two hands alone for a living, can scarcely hope to see his

income greatly increase. For man begins life with just two hands and he ends life with just two hands. He cannot increase their number. On the contrary, he may lose them by accident or sickness. It follows, therefore, that if a man is dependent upon his two hands alone for support, his life must be not only meagre from the beginning, but there can be no hope of an increase of income with the increase of burdens. And he is liable, at any time, through the loss of his hands or by sickness, to lose even this meagre means of support and be compelled to come onto charity or die.

Now how does nature provide a way by which each man can obtain an abundant support and secure an increasing income with the increasing years? I reply—*through the productivity of capital, that is, through the harnessing of nature's forces and making them work for him.*

To the untaught savage who starves and shivers for one-third of the year and never knows what real abundance is, nature says—"*Lift up your eyes and behold these vast productive agents in the world around you,—these fertile fields, which, when rightly tilled, will yield a hundredfold,—these streams which will turn your mill—these productive powers of steam and electricity—these forests which will build your homes. Acquire the mastery of these things, make them work for you, and your life will no longer be meagre and destitute. For these forces of nature will give you an ever increasing income with the increase of the years.*"

And to the workers of today civilization gives the same message. "*Do not trust to work alone for the supply of your needs.*"—she cries—"*Invest a part of your earnings in the capital of your country and reap your share of the income from that capital.*" The capital of America amounts to one hundred and twenty billions of dollars in gold and it embraces lands, railroads, factories, homes and so forth. Now civilization cries to each man and woman—"*Acquire or create your just share of this capital. Reap your just share of its earnings and you will greatly increase your income from year to year and have abundance.*"

And every man can do this and yet commit no robbery against his neighbor. When a man takes up a piece of land and brings it under cultivation and so makes it work for him,—when he adds to the land flocks of poultry and herds of cattle, when he builds upon it water-works and an electric motor and thereby increases the sources of his income a hundredfold he certainly robs no one, for all the increase in his income is derived from the increase of the capital which his labor has created. And when a man puts, year by year, a part of his savings into his country's industries and thereby adds to the number of its locomotives, or the amount of its cultivated land, or the number of its herds of cattle, and so greatly increases his income, he, too, robs no one, for all the increase comes from the factories, the railroads, the farms which his labor has created or helped to create.

2.

But the productivity of capital not only increases a man's present income, but it enables him to prepare for what may be called *the third great period of life and it enables him then to enjoy economic leisure, enter a larger and freer life and enjoy a happy old age.*

Every man's life embraces three great stages or periods,—and this is a fact which Marxism overlooks. *The first stage* includes childhood and youth, or the stage of dependence, education and training. It embraces the first twenty years of life. *The second stage* is the stage of adult manhood and womanhood. During this stage each man and woman is called upon to put his and her shoulder to the great tasks of life. They must perform its labor, provide for its necessities and *bear the yoke of responsibility.* During the years of childhood and youth they were supported and cared for by others. Now they must not only support themselves but they must, in their turn, support others. They must bear and support their own children, tenderly care for the sick and the aged; they must toil in the fields, run the factories, teach the schools, run the government, and train the world in righteousness. All this work now rests upon their shoulders, and they cannot run away from it. And yet, if humanity is rightly trained and society is rightly organized, this period is not a grievous one. Far from it. It is a period of glorious achievement and hope. For, during this period, they are laying foundations for themselves and their descendants.

They are raising their children, caring for their parents, building up society, learning self-control, laying the foundations of independence and greater usefulness, preparing for old age, and learning the ways of the eternal. This second period lasts, say, from twenty to forty-five years of age, when the next period begins.

The third period is, or should be, the period of economic leisure and independence, ending with the gentle decline of old age and death. This period is not necessarily one of idleness. Indeed, it may be one of the greatest activity and usefulness to society. But it is, or should be, a period when the man is no longer tied like a slave to his post. It should be one of economic independence and, therefore, one when the mind dares to speak out its own thought. It is a period when the man and his wife should be able to take the time and leisure to travel, to visit scenes of which they have read, to give themselves to study and research, to inventions and to a larger social service, if they so desire.

Now, how does nature provide for this third period of life and secure for each generation economic leisure and a well-protected old age? To this question I reply again, *that this third period is provided for through the productivity of capital.*

For capital is not only able to produce far more than its cost and greatly increase one's present income, but with a little care, it is able to *continue to produce* far more than the cost of its care and operation *for years to come.* To illustrate. It costs no little labor to install an electric plant on

one of our streams. But when the plant is once installed, it will continue to create for years afterwards electric light and power, far beyond the cost of its operation and care. It costs no little labor to rear a good herd of cattle. But when that herd is once reared and properly fenced in, the herd will not only sustain itself by natural reproduction, but it will also produce in milk and meat and hides, far more than its care and operation amount to. The same truth holds in relation to hundreds of other forms of capital. Indeed, there are forms of capital so enduring, that they continue to be productive long after the generation which created them is laid in the dust. A good part of the capital which the present generation is now using was created by our predecessors.

Now it is this peculiarity of capital which supplies a way by which each thrifty man and woman, and each generation can provide for the third period of life and prepare for economic leisure and old age. Namely, by creating, during the second period, an amount of capital sufficient not only gradually to increase their income during the second period, but also to care for the third period and thereby free themselves from the slavery of toil. To do this requires, indeed, foresight; and it will be necessary to make the teaching of foresight to be one of the important tasks of school life. But foresight is not a virtue to be despised. It is a good thing to cultivate. And if we will only be careful to cultivate this virtue in our young people and properly organize our industrial system, every man and

woman can win for himself and herself an abundant support for the third period of life and secure economic leisure and a happy and well-protected old age. They will be able even to leave behind them a large amount of capital for the use of the succeeding generation and thereby enable the new generation to begin life on a higher level and with a greater advantage than the preceding. For there is, in reality, no limit to the amount of capital which humanity can create—if once it awakes and comes to know the powers contained in nature's forces all around it; and, above all, if it comes to know that the true method of living is not by work—as Marxists teach—but by harnessing nature's forces and making them work for us. For, already, we are learning that there are potentialities of production in the soil of which we have not yet dreamed. There are forces all around us, electric and otherwise, which are able to do for us "exceeding abundantly above all that we ask or think." And when humanity once awakes to the existence and value of these forces and when we reconstruct our industrial system so as to bring co-operative effort with justice and equal protection to every soul in the acquisition and use of these forces, there shall be no limit to the material prosperity which we shall be able to achieve, and every man and woman shall enjoy.

CHAPTER VIII

The True Economic Basis of Life

THIS truth that capital is productive and that it is the source of economic leisure and independence, brings us to one of the most important questions in this whole discussion. *It is this. What is the true economic basis of human life?* Does it consist solely in work and wages, as we are so often taught and is it really true that mere physical labor is, as it is often implied, the most honorable thing in human life? Furthermore, is the mere worker to be honored above the capitalist? Or is capital the fundamental basis of human life, and is the capitalist, indeed, as we all instinctively acknowledge, the more honorable of the two?

Now Marxism (and that means nearly every member of the socialist party today), affirms, and affirms with great positiveness, that the sole economic basis of human life is labor. It explicitly avows this position in all its teaching. For it affirms, as it has been frequently said in the preceding pages, that labor produces everything, that capital produces nothing, and that all profits are robbery,—the robbery committed by capital against labor. And it declares its deliberate purpose to abolish all possibility to live by invested capital from the whole of human life.

In short, Marxists affirm that the sole economic basis and the sole honest basis on which human life can rest is labor and not capital. It declares that the man who seeks to live by work alone, who never, therefore, "*stoops to the wicked method of investing capital for a profit,*" who never builds a house to rent, nor invests a dollar in a railroad for dividends,—he is the only honest man; and he alone is seeking to build his life upon the true and honest economic basis. The capitalist—that is the man who seeks to acquire capital and live on his capital is not only building upon a false economic basis, says the socialist, but he is a thief and a robber and is to be despised. Such is the answer which Marxism, in fact, gives to the inquiry—"what is the true economic basis of human life?"

2.

Is this answer the true one? No. For a review of the discussion contained in the preceding pages shows most clearly that the true economic foundation of human life does not lie in mere labor, as Marxists teach. It does not lie in mere working and devouring the fruit of one's labor. *The true economic basis of life lies in the harnessing of nature's forces, which exist all around us and making them work for us.* In short, the man who has obtained a true insight into the right method of making a living and providing for one's material needs is not the laborer, who works and eats and eats and works like an animal, but the capitalist.

Of course, in order to harness nature's forces and

utilize them we must perform some labor; and so, we must, indeed, work in order to live. But work is necessary only as a means to an end, and that end is not merely to live and eat, but to master nature's forces so as to make them work for us and thereby free ourselves from the slavery of toil. In other words, we work for the anomalous purpose that we may live without work. We work while young that we may not work while old. We work that we may live on the proceeds of the capital which our labor has harnessed and made to work for us.

That this is the true method of living and the true economic basis of life comes to us with the force of a revelation when we once view the several vocations of life, and ask what is it that each man is actually doing in his particular vocation? Take the skilled and successful farmer. What is he really trying to do? The thing which the intelligent farmer is really trying to do is not to live like the wage-earner by work, but to harness nature's forces and make them work for him. He harnesses the forces in the soil, the air, the stream, the rain, the sun, the trees, the horses, the hen, the cow and even, in modern times, of electricity and seeks to make them work for him; he hopes to reach the time when these agents will support him without the slavery of toil. Take the man who builds a boat and sails across the lake? What is he doing? He too is seeking to harness the winds and the water and make them work for him. Instead of walking around the lake or even of rowing

across it, he throws up a sail to the breeze and he makes them bear him across. All he does is to hold the tiller and guide the boat. Another man builds a house and lives in it and his vocation is to build houses for the community. What is he really doing? He is harnessing nature's agents in wood and stone and making them minister to human comfort. And so a study of every material industry will show that it has this object in view—the harnessing of some one or more of nature's agents and making them work for man and to supply every material need, with as little labor as possible.

We, perceive, therefore, that the chief factor in human life is not muscle but mind, and the chief use of the mind is not merely to skilfully direct the muscles in labor, but to penetrate into the elements of the forces around us and learn how to corral them and utilize them in the place of human muscle and compel them to do a thousandfold more than human muscle can ever do. And the chief object on which we should fix our eyes in all our toil for our physical needs is not mere work and wages, but nature's forces, or capital, in short. And our constant study should be how to utilize nature's agents and so master them as to lift us above dependence upon mere brute labor and our own uncertain powers alone for a living.

And every man should individually own and be master of his due share of these material agents that have been harnessed for the use of man. Each man's life, in fact, should be rooted and grounded in the

acquisition and secure possession of his due share of the wealth of the country. His due share may be represented by private property or the ownership of "stocks" or invested capital. But he must own and be master of his just portion. And he must know and feel that such just portion is truly and securely his.

It is this that constitutes the chief economic basis of life. It is this that gives real economic security and makes the soul strong in courage. It is this that creates real independence of mind and secures one from dangerous persecution. It is this that creates individual sovereignty and makes a man "a man and master of his fate."

When, therefore, Marxism (and that means practically the whole Socialist party), exalts mere labor as the only economic basis of life, and condemns all profits as illegitimate, it is not only unscientific in its economic teaching, but it is retarding the emancipation of labor which it professes to help. For the chief cause of the poverty of the proletariate is the fact that he has little more knowledge of the true method of making a living than the herd of cattle that browses upon the plains. He knows nothing of the use and necessity of capital. He works to eat and eats to work—with little more intelligence than an ox. And this is the primal cause of his poverty. For this ignorance will not only of itself keep the proletariate poor, but it is this ignorance regarding the use of capital that enables the astute to victimize him and his children. For the astute and the sagacious knows not

only how to harness nature's forces and make them work for him, but he also knows how to take advantage of the ignorance of the worker, and harness him and put him in beside the ox and the horse or the machine, and exploit him as well as the ox, the horse and the machine. And the worker, densely ignorant, often does not even know that he is exploited and plundered, or, if he does, servile in mind, he thinks it all right that he should be exploited and plundered; his very religion sometimes seems to teach him this. And this servility of mind seems to belong not merely to the wage earner, but to many other classes who lay claim to greater intelligence.

What, therefore, the worker needs in order to secure his emancipation is, first of all, a true view of both capital and labor. He needs also to develop that independence of soul that will make him stand up for his own rights. He must come to know the true economic basis of life, namely, the acquisition and secure possession of capital. And he must insist that he shall have equal opportunity to place his life upon the same capitalistic basis as every other man. And he must be induced to join with his fellow-men in introducing a new system which will make this forever possible.

3.

If, now, we have correctly unfolded the function and place of capital and profits in our economic life, we may fitly conclude this chapter and this part of this book with a few important observations.

First, it can be seen that the legitimacy of profits or dividends is no mere abstract doctrine, but a principle of the greatest practical importance. For we perceive that to acquire capital, on the part of every worker and to base his life upon the acquisition of capital, is not only right, but a fundamental duty which he owes to himself and family. And we see that the crowning service to be performed by our industrial system—even under socialism—is, or should be, to enable every worker of hand and brain—everyone who performs an honest service for society, to acquire and invest his savings in his country's industries and thereby free himself from the slavery of toil, for this is to build the individual life upon the only true economic foundation.

Second. It can be seen that the service which, even under socialism, our industrial system must perform for each person is threefold. First, it must provide him with work at a just wage; second, it must supply him with needed utilities of a good quality at a fair price; and third, it must provide him with a place where he can invest his savings in his country's industries with safety, profit and permanency, make them work for him and thereby free himself from the slavery of toil.

No system that fails to perform any one of these three functions can meet the demands of the thrifty and industrious. And the last function must in no case be omitted; for that, as it has been shown, crowns and completes the other two. When, therefore, Marxists imply that our industries should

serve just two ends in relation to the individual, namely, first, provide him with work at a just wage, and second, supply him with all utilities at a fair price, they commit a fatal error. And they show that they have not carefully analyzed the several elements of that service which our industries should perform. For they omit that function which is most important and crowns and completes the other two.

Third. It can be perceived that in order to justly distribute the fruits of our common industries even in a socialized industrial system *we must call for the individual investment of capital and pay dividends.* Human society must, in short, be organized by some right method, into a great *industrial co-partnership,* or business corporation in which each man shall be called upon to subscribe his quota of the needed capital and earn his share of the dividends. And we perceive that it will be imperative not only to keep a careful record of each man's work and pay him the full earnings of his labor, but also a careful record of the capital which each man invests and pay him the full earnings of his capital. By no other process can we preserve for capital, even under socialism, its great function of providing for each worker the means of securing for himself economic leisure and of providing for sickness and old age. And by no other way can we bring economic justice to every soul.

Fourth. We perceive the imperative need of arousing the worker and enlightening him in relation to these great truths. The trouble with the

worker is that he is in a condition of profound economic slumber. He knows nothing of the productivity of capital and its important function in each man's economic life. He does not see the necessity of the people's being collectively master of the business world. He, therefore, blindly permits the astute business man *to own the business* and thereby expropriate the worker of the capital which the worker creates and then to appropriate the dividends which the worker, of right, ought to receive. The amount of capital which each average worker in America creates today by his labor is from five hundred to six hundred dollars a year. That thrifty worker, therefore, who has reached the age of forty-five or fifty years, has created in the aggregate fifteen thousand dollars' worth of the capital of this country.

That sum represents, therefore, the amount of capital which every thrifty man—and that means seventy per cent of the workers—ought of right to possess in the United States today. And on that amount he ought to receive a dividend, at least, of fifteen hundred dollars a year, over and above his wages. And yet, in all probability, not one worker in ten thousand owns, at fifty years of age, fifteen thousand dollars worth of capital nor is he receiving the fifteen hundred dollars of dividends that are his due. And why is this? Are the workers lazy and thriftless? No. Is it because their wives are not economical? No, for they do not spend that amount. What then is the cause? The cause is simply this. The workers are in a

condition of economic slumber and they permit the astute to acquire and own the plant and thereby to hold all power of control within their hands. The astute then proceed to rob the worker of the very capital which the worker creates and to appropriate the dividends which the worker's capital earns. And the worker does not know how the trick is done.

And what we need in order to remedy this wrong is not to abolish dividends, as Marxists demand, but to enlighten the workers in relation to this great wrong and move them to combine with their fellow citizens and so reconstruct our industrial system and acquire such collective ownership of the plant, that they shall be able to retain possession of that capital which their labor creates and receive the dividends which their capital earns. In no other way can we get justice and meet every economic need.

Fifth. It can be affirmed that capital, as well as labor, sustains a twofold relation to our industrial and economic life. In the first place, it is one of the two necessary agents of production. It is an essential factor in every function of civilization, and some one must create it or civilization will perish. In the second place, capital, like labor, performs a function in relation to each worker's life. Like labor, it is a necessary source of income to each worker. It is the agent by which each worker provides or should provide leisure for himself, secure a larger income and provide for sickness and old age. And this relation of capital to each individual

man is of supreme importance and should in no case be ignored or abolished.

4.

Finally, from the preceding it can be seen that there is no contradiction between the idea of our industries existing for service and the payment of dividends on invested capital.

It is a common saying of Marxist socialists that "our industries should exist for service and not for profit," as if there was a contradiction between these two. Socialist speakers will devote a whole lecture of an hour and a half in length showing how in our present industrial system every industry is used for profit. How "the grocery man comes to your door not to perform a service but to make a profit;" and "the real estate agent sells you a house for profit;" and "the doctor comes and doctors you for a profit;" and "the minister marries you for a profit;" and "when you die the priest buries you for a profit." And you cannot get into heaven without paying the church a fee or profit to get you in. Thus, everything is done for a profit and the worker is gouged, say the Marxists, at every point.

Now, without doubt there is much truth in this accusation. It is, indeed, true that our present civilization is still largely individualistic and based upon the policy of a free-fight-for-all. And this results in the placing of the individual and selfish motive behind all conduct. There is no doubt that business men, politicians, lawyers and doctors

and even clergymen are too often, in this individualistic age, swayed by the individual and personal motive rather than love of the universal good.

But, while admitting that this is so, it is not true that this individualistic motive springs from the fact that we pay rents, interest and dividends on capital as Marxists teach. And there is no contradiction between the most unselfish administration of industry for service and the most emphatic insistence on the payment of dividends on capital.

For take the water-works referred to before. That plant was built by the public for service, namely, to supply all the people with water, and all can see that it actually performs this service. And yet we can feel that it is perfectly just and necessary to pay dividends on the capital invested, even as it is just to pay wages to the workers who run the plant. For certainly all can see that it is just to pay wages. For the men who give their service to the public in running the plant have a right to receive a just recompense for the service which they render. So also we can see that dividends are perfectly just, though the plant is employed for service. For the dividends which each investor receives are nothing but the recompense for the service which his capital performs.

Socialist orators, misled by the Marxist teaching, speak sarcastically of the groceryman and the doctor and the lawyer who all work for a profit. Well, what does the Marxian socialist orator want? Does he expect that the groceryman and the doctor and the lawyer are to work for nothing? The

Marxist socialist insists with great emphasis that each worker, that is, each factory hand and mechanic, plumber and carpenter, shall receive the full product of his labor, but when it comes to the business man, the groceryman, the doctor and the preacher, it seems that they must work for nothing. And the man who takes thousands of dollars out of his earnings to capitalize the industries of the country must receive absolutely nothing for the service which his capital renders. Is this just?

There is no contradiction, therefore, between the idea of industry for service and the payment of wages to labor on the one hand and dividends to capital on the other. For the wages paid to labor and the dividends paid to capital are nothing but the just recompense for that service which each performs. They are the *just division of the common product* of the labor and capital contributed by each. And just as the carpenter has a right to receive a just wage for his services in building a house, so the man who puts money into a railroad for the building of the road, has a right to receive a just dividend for the service which his money performs. Furthermore, the wages paid to labor and the dividends paid to capital are nothing but the measure of that service performed by the worker on the one hand, and the investor, on the other.

While, therefore, the Socialist motto—"Industry for service and not for profit," contains a great truth yet, like nearly all Socialist mottoes, it contains also a great error. For while each plant should exist for service and not to make an unjust

gain of another, yet it is also true that to each worker it is right to pay a just wage for his work and to each investor a just dividend for the earnings of his invested capital.

The motto above referred to is, therefore, wrongly worded. Instead of reading as given by Socialists, it should read—"*Industry for service and not for unjust gain;*" or—"*Industry for service and not for plunder;*" or—"*Industry for the benefit of all and not for the few alone.*" The people are not to be viewed as a mere field to be worked, harvested and plundered for the benefit of the few.

And while we should cultivate a less selfish motive in the industrial world, and our great industries should be created for service, and while a rightly socialized system will greatly help to nourish this unselfish motive, nevertheless, it is not only right but our duty to insist that each worker shall receive the full product of his labor and each investor the full product of his capital. In no other way can we secure the just distribution of the products of our common industries. And in the reconstruction of our industrial system, what we need is not a system that will abolish, as Marxists teach, all wages and all dividends and introduce a mere communistic policy which is fit only for unintelligent animals, but a system that will make every man equally responsible both for the necessary work and the needed capital of the country, and will, at the same time, give to each man the full product of his labor, on the one hand, and the full product of his invested capital, on the other.

PART IV

Effect of the Marxist Economics —Pensions—The True Cause of Industrial Wrongs

CHAPTER IX

The Actual Effects of the Marxist Economics, if Rigidly Introduced

HAVING pointed out the scientific errors of the Marxist system of economics, it will be profitable to inquire as to the actual effects of that system, if it is once rigidly introduced?

The effects of the Marxist economic system, if rigidly introduced, will be to make an equal division of unequal earnings. It will rob the older worker of all the capital which he creates; and make it impossible for nine-tenths of the race to make adequate preparation for sickness, economic leisure and old age. The truth of this affirmation is seen upon a little study of the subject.

For first, under the Marxist system capital will have to be raised just as today. Marxists frequently say, "under socialism capital will be abolished." But capital cannot be abolished except by the abolition of human life itself. For under socialism we will be obliged to own farms, factories, railways, homes and so forth, just as today. And these must be capitalized. Indeed, it is these things that constitute the capital of the country. Now how under Marxism, is all this capital—which amounts to one hundred and twenty billions of dollars in gold, —to be raised? Marxism may by confiscation, take

over all this capital today and so get rid of raising any new capital just now. But all this capital is all the time wearing out. Hence, it will have to be renewed. It will not be long before repairs shall have to be made and hence new capital shall be needed. And so, sooner or later, the whole plant of civilization shall have to be renewed or recreated and new plants shall have to be built. The result will be that practically the whole capital of the country shall have to be recreated from generation to generation, just as today.

Now how, under the Marxist system, will all this capital be raised, and when new plants are to be created—new railroads to be built and new factories to be constructed, where is the needed capital to come from?

Under the dividend-paying system this capital will be raised directly and openly by calling upon each citizen to subscribe his due quota from year to year. A careful record will also be kept of the amount invested by each, and dividends shall be paid to each investor to the full earning capacity of the capital invested, and so justice shall be done. But how shall all this capital be raised, from year to year, under the Marxist system? Marxism will raise this capital, say its advocates, "*by taking it out of the business as we go along.*"

But what does this mean? It means that every worker will be compelled to pay in his due quota of the capital required just as today, only *he will be compelled to pay it in surreptitiously and no record of it will be kept and no credit given.* In other words,

the government will abstract by stealth from the earnings of each worker, an average of five hundred or six hundred dollars a year, for this is the amount needed from each to supply the aggregate capital of the country. And at forty-five or fifty years of age, each worker shall have put in fifteen thousand dollars. Thus, under Marxism, each worker will be required to provide his quota of the capital, year by year, just as surely as under the dividend-paying system, only under Marxism no record of it shall be kept and no dividends shall be paid.

But what will be the situation or condition which this law will inevitably create? It will inevitably create this condition. Different men at different ages shall have supplied different amounts of the invested capital of the country. Thus, the young man at twenty, since he shall not, at that age, have performed any labor, shall have created nothing of the aggregate capital of the country. But on the other hand, the man who has arrived at fifty years, shall have created in fact fifteen thousand dollars' worth of the aggregate capital of the country. The men between the ages of twenty and fifty shall have created amounts between these two, proportionately to the age of each. Thus the young man at twenty-one years shall have created five hundred dollars. The man at thirty shall have created five thousand. And the man at forty shall have created ten thousand.

Now capital, under Marxism, will be productive just as today. Let us assume that capital will then earn, say, ten per cent of the principal. What

will this mean? It will mean that the capital actually created by the man at fifty years will earn an income of fifteen hundred dollars a year. The earnings of the capital of the man at forty will be only one thousand dollars a year. The earnings of the capital of the man at thirty will be five hundred dollars a year. The earnings of the man at twenty-one will be fifty dollars a year. The earnings of the capital of the young man at twenty will be nothing at all, for the young man at twenty shall, ordinarily, have in no capital at all.

Now if Marxism were just, it would pay to each man the full earnings of his capital as well as the full earnings of the labor. But will Marxism do this? No. On the contrary, this is just what Marxism declares it will not do. It will not pay any man a cent of dividends on capital. It affirms that the only income that it will allow to any man is the wages paid to labor. And the whole income accruing to each man shall come in the form of wages for work and of wages alone. Hence the worker at twenty will receive precisely the same income as the worker at fifty. But what does this mean? It means, as every intelligent man can see, that the man at twenty who has no capital in, will receive one-half of the earnings of the capital of the man at fifty, or seven hundred and fifty dollars a year. In other words, Marxism will rob the worker at fifty of seven hundred and fifty dollars of his yearly earnings and pay it to the young man at twenty. It will rob the older worker for the benefit of the younger. It will make an equal

division of unequal earnings and it will do this because it refuses to distinguish between the earnings of a man's work and the earnings of his capital.

2.

But this is not all. Suppose that under Marxism the man at fifty stops work, what about his income then? Will Marxism allow our industries to pay him the earnings of that capital which his labor has created, which will amount, as we have shown, to fifteen hundred dollars a year? No. On the contrary, under Marxism, when a man at fifty stops work all income to him will cease. For Marxism will pay no dividends whatsoever on the earnings of capital; and it shall have made no record of the capital which the labor of each man has created. The result will be that, if Marxism is true to its avowed principles, when the worker at fifty stops work, though the capital which he has created will continue to earn fifteen hundred dollars a year, yet the worker shall receive nothing at all. On the contrary, Marxism will say to him,—"*keep to work or starve.*" Indeed, Marxism makes its boast that it will do this. For it proudly affirms that it will not permit any man to earn a cent of income as a dividend from invested capital. "*Work or starve,*" —it affirms shall be its motto. Thus, we perceive that so long as the man at fifty keeps to work, Marxism will rob him of only one-half of the earnings of his capital; but when he stops work entirely, when he shall need this earning of his capital the most, Marxism will rob him of it all.

But even this is not the whole story of the iniquity of the Marxist economics. For Marxism will not only rob the worker who stops work of all the dividends earned by his capital but it will rob him also of that capital which, as I have shown, Marxism will compel each worker to invest. For when the worker at forty-five or fifty stops work, what will become of the fifteen thousand dollars which Marxism has surreptitiously compelled him to invest?

Will Marxism allow the worker to draw this out for his support? No, for no record of this investment shall have been kept. It shall have been taken out of the worker, like the tariff today, indirectly, surreptitiously. And when the man at fifty stops work Marxism *will not return to him a cent of this fifteen thousand dollars which is truly his. Thus Marxism will rob the worker not only of his dividends, but also, when he stops work, of his whole invested capital besides.* Is this just? Will the workers stand for it? Not as soon as they get their eyes open. Thus Marxism will prove to be a terrible system of concealed robbery.

3.

But in the next place, by thus robbing the worker of his whole invested savings, Marxism will cut off all possibilities, on the part of the worker, of making any adequate provision for economic leisure or for sickness and old age. For, first, every man, it can be seen, wi l be reduced to the condition of a capitalless workingman. All distinction between the wages earned by labor and the dividends earned by

capital will disappear. The whole income accruing to each man will be in the form of wages, and of wages alone. It follows that the moment that a man shall quit work *his whole income will cease.* And the moment the extra savings which he may have laid by in his stocking, if any, are gone, he will be destitute. He will be obliged to come upon his relatives or the town for support. Marxism may make it easy for a man to live during the days of youth and vigorous health, but when strength begins to decline and when at last the man is able to work no more, its effects will be simply disastrous unless some artificial device shall be invented to rectify its evils. Marxists say that under Marxism the worker would be allowed to save his earnings, only there will be no dividends from them. But this is a most deceptive promise. For, as we have seen, Marxism will surreptitiously compel every man to pay in his full quota of the required capital (or fifteen thousand dollars), and then, as I have shown, when the worker stops work, it will withhold from him the whole amount which he has then put in. How, then, will it be possible for any ordinary worker to save, under Marxism, and make any adequate provision for economic leisure or sickness or old age? For to do this each worker will not only be compelled, as has been shown, to pay in his full quota of his capital, of which he will be robbed—but he will be required to save up enough in addition to support himself in old age besides,—a thing which would be not only outrageously unjust, but, for most men, an impossibility.

4.

But finally, *what will be the psychological effect of Marxism?* I believe that its effect upon the mind will be to convert the larger part of the workers into spendthrifts and shirks, and the naturally prudent into misers. For the greater portion of the workers, knowing that their money can earn nothing, will be inclined to spend all they shall earn as they go along. They will live freely while young and strong, but when old age shall come, they shall be terribly pinched. The naturally foresighted, however, will become miserly. For they will be ever thinking of the days of old age and helplessness, which will surely come; and they will strive to save and prepare for them. But since their savings will earn no income, they will never know when they will have enough saved for the purpose. For they will never be able to tell just how long the years of old age and helplessness shall continue. The result will be that, when a man, by hard toil, shall have saved up a few hundreds or thousands of dollars, he will still be in fear that he has not enough to carry him through the remaining years of his life. And so he will decide to work and save a little more—and still a little more. In short, he will never be able to feel quite sure that he has sufficient to carry him through. Thus there will be a tendency, on the part of the thrifty, to hoard and to hoard until they drop into the grave.

It is plain, therefore, that Marxism is not only wrong in principle but its results will be evil. Instead of bringing justice to the worker, as Marxism

declares its especial purpose to be, it will rob the worker, first, of his dividends and then of the whole capital (the fifteen thousand dollars) which even under socialism, each worker will be necessitated to supply. It will deprive the worker of practically all hope of preparing for economic leisure, for sickness and old age—and it will have a bad effect upon the development of individual character. Whosoever, therefore, defends the Marxist system defends—though unintentionally—the plunder of the worker and the destruction of civilization.

And every other method of industrial reconstruction which does not call for the individual subscription of the capital and the payment of dividends, will be equally disastrous and equally predaceous.

Men today will advocate "public ownership," or "the turning of our industries over to the government." And they will get up petitions for the "taking over of our railroads." And today many of the people of New England are asking—"whether it is not time to take over the New Haven system and all its branches." But nobody seems to have stopped to inquire just what are the different factors which enter into our industrial and economic life; nor what the proper taking over of our industries by the public should involve. And it is a fact that every such proposition involves the Marxist error and will result in the elimination of an individualized capital and the payment of dividends. And yet such a method of taking our industries over would be disastrous to our economic life, and destroy civilization.

CHAPTER X

Are Pensions an Adequate Substitute for Dividends?

MARXISTS have not been entirely blind to those evil effects of their economic system which I have pointed out in the preceding chapter. They have seen that if the resolution to abolish every source of income except the wages paid to labor, is rigidly carried out, it will leave each man and woman helpless during extended sickness and make it impossible to provide for the increasing expenses of life, economic leisure and old age. But instead of this consideration leading them to go back and reform their system, they have sought by artificial devices to remedy its defects.

The chief device which they have offered for this purpose has been that of pensions. For, under Marxism, literally everybody shall be pensioned. First, every worker—according to some Marxists—is to be pensioned from the very beginning, by being given a yearly increase of salary and thereby enabled to meet the increasing expenses of life. Every man will be pensioned while sick. Every mother will be pensioned during the child-bearing period and so be paid for the service of bearing new citizens for the state. And economic leisure and old age will be cared for by paying every man

a pension sufficient to support him without work during the third period of life.

Thus Marxism, having cut off all dividends and thereby deprived the individual of all possibility of caring for his own future, will remedy this defect by substituting government pensions in their place. Everybody will become, in short, a ward of the government. "Thus"—declares Marxism,—"we shall provide adequately for every person's future and for all the material needs of each, and yet get rid of all dividends and all income from capital."

Now the question before us is—Is this claim good? And are pensions a good substitute for dividends earned on an individually subscribed capital?

Before answering this question an important observation should be made. It is this: *Pensions are nothing but dividends brought back in disguise.* The truth of this is seen upon a little consideration of the subject. For where shall these pensions come from? How shall they be produced?

These pensions which Marxism will pay out so liberally will certainly not come out of the air. And if Marxism makes good its declaration that it will pay to each worker the full product of his labor "undiminished by rents, interest or profits," these pensions cannot come out of labor. Where then, we ask, will they come from? They evidently must come, if they come at all, out of the earnings of capital. And our industries will have to be capitalized so as to produce them. At any rate, these pensions will have to come out of the industries of the country. And the industries of the country

will have to be so productive as to yield the required amounts to each pensioner. Wherein, then, will these pensions, industrially viewed, differ from the dividends which Marxists profess so thoroughly to abhor? In no respect whatsoever.

The truth is that Marxism, after condemning all profits as of the devil, and with trumpet and drum, declaring its stern resolution to abolish them forever, is compelled by economic necessity to bring them back under a disguised form and a new name.

2.

But granting that this is so, will not pensions, after all, be a good substitute for the dividends of the so-called dividend-paying system?

To this inquiry a little study gives a most decidedly negative answer.

The great evil of every pension system that can be devised is that *it invariably cuts the knot of individual responsibility for one's self.* It makes the recipient the irresponsible ward of the government, and thereby destroys individual character and opens the way for corruption and graft unspeakable.

Some socialists say that under the pension system all will not receive the same pension, but that the amount to each shall be regulated according to *merit* on the one hand and according to *need* on the other. "It will be according to merit because the man who works the hardest and is the most skillful will perform the greatest service, and should therefore, receive the largest pension. And it will

be according to need for the man who has the misfortune to meet with an accident or who, through illness, is unable to work, should not be called upon to bear the whole misfortune alone. Society should share the burden with him."

Now this pensioning of everybody according to merit on the one hand, and according to need on the other, may appear, at first, to many as a very beautiful thing and a good substitute for an individually earned dividend. But it will not work. It will result in unlimited graft and corruption.

For it will destroy all immediate causal connection between the capital which each worker will actually invest and the income which he will receive. In the dividend-paying system, when justly organized, the dividends of each man will rigidly correspond to the capital which he has invested. His country will demand of him a certain yearly investment of capital until the full quota of his required subscription is in. And it will permit him to invest as great a surplus above the required amount as his industry and thrift may create. And his country will say to him,—" go to work, invest your share of the required and the surplus capital of the country and you will receive your share of the accruing dividends." His dividends, therefore, from year to year, and his final yearly income during the third period of his life, will depend in no respect upon government favor or disfavor, but entirely upon his own industry and frugality. He must simply go to work, earn his money and sub-

scribe his due share of the capital and his dividends will be sure.

But under the Marxist pension system an entirely different law will prevail. The pension of each man will not depend in the last analysis, upon what he does, but *wholly upon the judgment which the government will form, or can be persuaded to form, concerning his merit or need.* There will be no necessary and inevitable causal connection between the capital which his labor has produced, saved and invested, on the one hand, and the income which he shall receive, on the other. And what will be the result? The result will be that while there will be a few thoroughly honest men and women who will seek to obtain a pension which their real merit or real need may demand, yet the vast majority of the people will seek to thrust their hands into the public treasury and draw out as big a pension as possible, regardless of either merit or need. For let us suppose that the Marxist pension system is once inaugurated and the man who has reached the age of forty-five or fifty is to be retired from work and placed on a pension. Now what will that man do? That man may or may not have been a faithful worker during the past twenty-five or thirty years of his life, but of this we may be sure, that unless he is one of the rare saints that exist among ten thousand, he will try to prove his merit to be of the first quality and that he should be awarded a good, big pension. If any system of marking has been kept up during the past years, he will declare that he has been underrated and

discriminated against. Or if his merit is decidedly shady—if he has been an arrant loafer in the past, we may be sure that he will then seek to come onto the pension roll on the ground of need? He will say—"If I have not worked as hard as some others in the past it was because I was sick. My liver was in a terrible condition, and my kidneys were just something awful. Nobody knows how I have suffered. And can any man work when sick and suffering?" And so, on the ground of need, and the Marxist declaration that sickness is a misfortune which the whole community should bear, the man will demand a good, big, yearly pension.

And associations will be formed and a vast army of pension lawyers will spring into existence, having this one secret end, to obtain for the members of the association big pensions regardless of merit or need. And this association will silently mark and turn down every official and every man in every pursuit who does not favor their boundless looting of the public-treasury.

Socialism is right in its affirmation that human nature is essentially good in its tendencies, and when given a good environment and a good social order, it will choose the good rather than the evil. And under a transformed industrial system, human nature will doubtlessly be transformed and those selfish and greedy elements which now mark human nature will, under a better system, be gradually eliminated. But is the Marxist pension system a better system? Is it fitted to evoke the better rather than the worst elements of human nature? To this

inquiry it must be said that the Marxist pension system is fitted to evoke all that is worst in human nature and it will destroy what is best. Its constant appeal will be to the sly and the dishonorable and the corrupt elements of man. It will fairly compel men and women, who would otherwise be honest, to be dishonest in order to hold their own in the corrupt race for pensions which Marxism will inevitably inaugurate.

3.

But suppose that in order to escape these interminable frauds and this terrible corruption, Marxism should decide to pay to every person, rigidly, the same pension as say fifteen hundred dollars a year, at forty-five or fifty years of age, regardless of merit or need, would not that be a good substitute for the present dividend-paying system?

No. For in the first place it will be fundamentally unjust. For to pay everyone—the idle and the parasitic classes, exactly the same income or pension as the industrious and thrifty, is most unfair.

In the second place, such a pension system will encourage shirking and parasitism to an unlimited degree; and *it will enable the idle and shiftless classes forcibly to load themselves upon the backs of the industrious and paralyze all industry.*

For suppose that the Marxist pension system has been adopted and it is decided that every person is to receive a good, big pension when a certain age is reached, regardless of need or merit, and

what will be the inevitable result? The inevitable result will be that nine-tenths of the population will deliberately shirk every burden; they will endeavor to perform the least possible work during the second period of life, with the expectation that they will be placed upon a good, fat pension equally with everyone else when the required age is reached.

But in doing this the idlers will not only shirk the great burdens of life, but they will deliberately load themselves upon the backs of the industrious and thrifty classes. For whence will these good, big pensions, which all will alike receive, come from? They will come largely from the work of the industrious classes. For the idlers having shirked every burden shall not have produced them. These pensions, therefore, will be the product of the work of the industrious classes and the idlers will thus be loaded upon the backs of the industrious.

The discouraging effect of this upon the industrious can be imagined. For what will the industrious classes see? They will see all around them men and women between the ages of twenty and forty-five, giving themselves up to idleness and pleasure,—men and women who will shirk all the hard tasks of life; and yet the industrious will know that when the third period of life is reached, these idlers will receive a good big pension from the public treasury—a pension as big as shall be paid to the most industrious. And this reflection cannot fail to have an embittering effect upon the mind. It will lead them to shirk also. For they will ask the question—"*Why should we toil and bear all*

the hard burdens of life when these idlers will inherit the same income as ourselves."

But someone asks, will not the fact that the value of future pensions will be vitally affected by the quality of labor stimulate the idlers to earnest toil? This consideration will no doubt stimulate the industrious and the far-sighted. But it will stimulate the idlers to still greater idleness. For suppose that the industrious and farsighted do work hard and seek, by still greater exertions, to increase the value of future pensions, who will reap the fruits of this increased labor? The indolent and the dishonest classes will benefit by this increased labor as greatly as those whose labor has produced the increase. And the idle and the inefficient will cunningly continue in idleness assured that the active and enterprising will work rather than starve, and that they, the indolent and the inefficient, can therefore, continue in idleness and live upon the toil of the industrious. For when pensions are paid, the product of the toil of the few must be evenly shared with the idle, the shiftless and the dishonest classes. Thus the idle and shiftless classes will be able forcibly to load themselves onto the backs of the industrious and there will be no way of relief.

4.

But in the fourth place, *the pension system does not appeal to the manly and womanly qualities of the normally constituted person, and cannot, therefore, win the support of the majority of the race.*

All intelligent men and women can see that

Marxism is capitalistic communism. And communism will not work. They can see that while repudiating all dividends or profits, Marxism will bring them back in the disguised and corrupting form of pensions. But in doing this, it will take the dividends earned by capital and put them into a common pot and divide them equally between the indolent and the industrious classes. In doing this it can be seen that it will cut the knot of individual responsibility for one's self; it will encourage shirking to an unlimited degree, and enable the shiftless to load themselves forcibly upon the backs of the thrifty and industrious. *It will result, therefore, in a real "equal division of unequal earnings."*

There are, as it has been said, three essential factors in our economic life. The first is the right to work and earn a just wage or salary; the second is the right to buy and pay a fair price, and the third is the right to invest one's savings in our country's industries and earn a just income from them.

Now what the intelligent worker wants is not the abolition of any one of these factors,—least of all the third,—but justice in their operation and greater efficiency in the production of wealth. And what the intelligent worker wants in the matter of investing one's savings is not a system that will allow nobody to save and invest and then make every man the ward of the government, but a system that will give equal opportunity to every worker and protect each man's right to invest with equal safety, profit and permanency with every-

body else, and so enable each man to pension himself, justly, according to his true ability and worth. It is only the sick in mind, or the idle and inefficient, or those who have lost faith in themselves, or the corrupt, that really desire the pension system.

Until socialism, therefore, can present a definite scheme of industrial reconstruction that will preserve the individual investment of capital for an income, socialism cannot prevail. It is a fact that a large part of the thoughtful and intelligent workingmen—farmers, teachers, and others in America are carefully studying the Marxist teaching concerning capital, rents, profits and dividends, and are deliberately rejecting it. And already the foes of socialism are seeing the weakness in the socialist position and are using it to its overthrow. Neither the socialist party nor any other party of industrial reconstruction can prevail until it is freed from the Marxist error concerning capital and dividends and gives to both these factors their true place in our economic life.

CHAPTER XI

Is the Profit System the Cause of Present Industrial Wrongs?

A QUESTION which presses itself upon the mind is—Why does the socialist party entertain such an invincible hatred of profits—a hatred which no power of reasoning seems to be able to overcome?

A little study of socialist writings and speeches today quickly reveals the cause. All socialists, misled by Marx, have come to believe that whatever be the abstract right or wrong of dividends, they are the sole cause and source of all the evils of our present industrial life. It is, say they, the lust for big dividends that is the ultimate source of all the greed and strife that marks the present system; it is the hunger for profits that leads to deliberate mismanagement, to railroad wrecks, to mine disasters, and factory fires; it is the thirst for profits that causes child labor, the liquor traffic, and the robbery of both the worker and the consumer, and results in the existence of vast, unmerited riches and terrible, unmerited poverty side by side. All these and other evils, say the socialists, come out of the profit-system. And these evils can never be banished until the profit-system is abolished and abolished forever.

Is this Marxist diagnosis of the cause of present industrial wrongs correct? And must all profits and dividends, therefore, be abolished?

In reply to this inquiry it should be said first, that there is apparently some truth in the Marxist charge against profits and dividends.

For what are profits and what are dividends.

All our industries, when rightly organized, are designed to be instruments of service. Their purpose is to provide the race with food, clothing, home-comforts, books, travel, pleasure, riches, power and honor,—in short, with all material and even spiritual good. *And dividends are nothing but these things divided and distributed, with justice, according to the capital which each man has invested,*—even as wages are these things divided according to the labor which each man has performed.

Now it is a fact which no man can deny, that the desire for these things has been and always shall be, *so long as human nature is morally undeveloped,* a source of evil, as well as good. It is the desire for food and clothing, for riches and power, that leads, under certain conditions, to strife and war. Desire for these things has caused the powerful nations, in the past, to make war upon the weaker. It is the lust for these things, especially in a badly organized system, that leads to mismanagement, to railroad wreckage, to mine disasters, and other evils. It is the desire for riches and all the enjoyment and power that riches bring, that results in unjust child-labor, in the liquor traffic and other vicious kinds of business. All this must be ad-

mitted. For human nature is still morally weak and men, like children, will quarrel and go to war about things which in themselves are perfectly right.

But are these things a *necessary* source, as all Marxists affirm, of injustice and wrong and must they, therefore, be abolished?

In reply to this inquiry, it should be said, first, that whether these things are or are not a source of evil, *they simply cannot be abolished.* For food, clothing, home-comforts, travel, pleasures, riches and power are a necessity of human life. And while they can, in some measure, be regulated, they cannot be abolished. When Marxists say, therefore, that profits are an evil and must be abolished they are demanding the impossible.

Marxists do not seem to have a clear conception as to the meaning of economic terms. For example, they are forever saying that " our industries should exist for service and not for profit." *But what is the difference between the service which our industries should perform and the profits which they are expected to yield? There is no difference whatsoever between the two, when the two are correctly defined.* For the service which our industries are expected to perform is to provide humanity with food, clothing, home-comforts, pleasures, riches and power. But what are the profits which our industries are expected to yield? Are these profits something different from the service just named? No, they are, on the contrary, exactly identical with it. For the profits which our industries are expected to yield are food, clothing, home-comforts, books, pleasures,

riches and power. When, therefore, socialists say that our industries should exist for service and not for profit, they are talking sheer nonsense, or they are saying what they do not mean. What our socialist friends really mean to say is that—"*our industries should exist for service and not for plunder*," or "*for the good of all and not for the benefit of a few alone*," or "*for mutual service and not for mere selfish gain.*" But this is not what they really say. What they really say is nonsense, for there is no difference between the service which our industries are expected to perform and the profits which our industries are designed to yield. Both are one and the same thing. And whether they be good or evil, they simply cannot be abolished.

But are profits, that is, the food, clothing and the wealth and the power that are the fruit of industrial activity, *a necessary evil*, as all Marxists teach? To this inquiry a little study will give a most emphatically negative reply.

For all history and all human experience show that men can seek for food and clothing and even for riches and power, and yet be perfectly just, in all their relations with each other, both in the acquisition and the distribution of these things. In other words, a study of human life shows that the desire for food and clothing, for home-comforts, and all the other products of labor and capital, do not necessarily lead to greed, strife and war, nor do they necessarily induce the robbery of the weak by the strong. When these evils exist, the cause lies not necessarily in the things themselves,

but in the low moral and social evolution of man, or in an imperfectly constituted industrial system or in the failure of some other system within human society. When, therefore, Marxism affirms that these things—that is, the products of our industrial activities,—are necessarily evil and should, therefore, be abolished, (assuming that to be possible) it is affirming what is entirely untrue. And when Marxism advocates the abolition of these things, it is advocating what, as just indicated, is simply an impossibility.

2.

But are not dividends and wages, that is, *the dividing up of these products of industry according to the capital invested and the work performed by each,* a source of evil? Would not a communistic system—a system which permits every one to take out according to his needs or desires be an improvement upon the dividend-paying and wage-paying system? No. On the contrary, all experience shows that communism simply will not work. It produces discontent, idleness, shirking, injustice and war. It is the dividend-paying and the wage-paying policy in a rightly constituted system that alone lays the foundation of justice and brings peace, contentment and good-will between man and man.

Two brothers once went into business together. And they said—"*Since we are brothers we will not keep a strict account of the amount of capital put in by each, nor of the work done by each, neither will we keep a rigid account of what we take out. On the*

contrary, if one of us wants a little money or our wives want some, we will just take out what we want and keep no rigid account of it. Why should we, being brothers, be exacting in relation to each other."

Now such an arrangement looks, on the surface, as very generous and very christian. But how did it work? In less than three years these two men and their wives were in a condition of discontent and bad feeling toward each other. Each was suspicious of the other. Each charged the other with taking out of the business more than his share, and with shirking his share of the work. And they finally dissolved partnership and, while outwardly reconciled, yet each believed to the end of his days that he had been wronged by the other. And such will be the inevitable effect of the communistic system, if introduced into society at large. It will breed unlimited shirking, parasitism, discontent, cunning, strife and war. It is the dividend-paying and the wage-paying system which, when rigorously applied, constitutes the very bulwark of justice. It develops manliness of character, and lays the sure foundations of contentment and peace between man and man.

Two younger brothers,—members of the same family as the two referred to before whose partnership ended so disastrously,—went also into partnership together. But taking warning from the experience of their older brothers, they said,—"*We will govern our relations as partners in this business after strictly business principles. We will keep a careful record of the capital put in and the work done*

by each. And each shall be paid from the business a salary according to the work which he does and a dividend according to the capital which he has put in. We shall thus pay wages and divide the profits of the business according to strict justice. If, after that, either one of us desires to be generous to the other out of his own funds, he can do so. But the business shall be run after strictly business principles."

Now to unthinking minds such a rigid policy of justice may appear cold, and suspicious and unbrotherly. But what was the result of this policy as compared with the former? The result was just the opposite. The younger brothers never had a quarrel. Each sought to be perfectly just toward the other in every transaction. Each was careful to put in his quota of the capital and to do his share of the work and to take out of the business rigidly only according to the amount of capital which he had invested and the work which he had performed. The result was that they never became discontented or jealous of each other, their business was run after *strict principles of justice.* But after they had divided up the profits of the business, they did many acts of kindness to each other. One of the brothers had a large family and the other had none. The brother with no children showed constant kindness to his brother's children. He helped them through college. But he did all this voluntarily with the money that was justly his. And so those two brothers lived together in peace and contentment, and they did so chiefly because they founded their business relations upon

the principle of strict justice and divided up the proceeds or profits of the business after strictly business principles.

So also in society as a whole, to pay dividends, that is, to divide up the proceeds of our industries after strictly business principles, according to the amount of capital that each man puts in, and it may be added, to pay wages according to the amount of work that each man performs, is to establish justice, allay the sources of greed and strife, and lay the foundation of peace and good-will between man and man. Our dividend-paying and wage-paying system is today, amidst all the evil of our present industrial life, the one great bulwark and rallying point of justice and fair play between man and man. Abolish these as all socialists are demanding, and the last refuge of justice will disappear. The chief cause of injustice and wrong in the world today, and the cause of discontent and ill-feeling between man and man is not, as socialists teach, the fact that we pay dividends and wages, *but that we do not pay them out with strict justice.* Our industrial system today permits one class to take out more than its share of the wages and the profits of the business. It deliberately opens the way for one class, in short, to rob another class and this nourishes cunning, greed, discontent and every other evil thing.

Marxism, then, is utterly wrong when it says that profits are the cause and the necessary cause of present wrongs. The desire for food and clothing, riches and power, do not of necessity create greed

and mismanagement, nor do they necessarily lead to strife and oppression. Neither would the abolition of these things,—if that were possible,—effect a cure. Neither are dividends, that is, the dividing up and the distribution of the proceeds of our industries, justly according to the capital invested and the work performed by each, a cause of evil. On the contrary, this dividing up after strictly business principles, is necessary to, and the only foundation of, a just and peaceful administration of the business world.

3.

But if profit-taking is not the cause of the greed and wrong of our present system what is the cause?

The first fundamental cause of the evils of the present industrial system is the present low moral and social development of man and *the consequent absence of any sound economic science to guide us in the art of making a living and acquiring wealth together as rational beings*, in peace and goodwill toward each other, and with justice to all.

Man is a social being. The creator has constituted us to dwell together and to make a living together. We are members one of another, interdependent and parts of one great whole. We constitute one great co-partnership. We are like a company of men, women and children embarked together in a boat upon a sometimes stormy sea, and we must sink or float together. We cannot get asunder, if we would, without getting out of the world. And our Maker has evidently constituted us to live together as brethren in love and peace.

It is evident, therefore, that the only principle that should govern us as rational beings, in such a situation and under such vital relationships, is that of fraternal and yet organized co-operation, directed by the collective will of the whole, so as to secure justice and promote the welfare and mutual good-will of all.

But our present imperfect social ideals and our crude economic science, instead of teaching this rational principle of organized co-operation and democracy in the industrial world, teach just the opposite principle, namely, that of individualistic strife and war. Our present economic science repudiates the principle of organized co-operation directed by the people's sovereign will. And it deliberately converts the struggle for bread into a fierce free-fight-for-all in which the best man is expected to come out on top. And it teaches this principle as the very gospel of human progress and prosperity. For it affirms that by the operation of this principle nature eliminates the weak and perpetuates the strong.

But a true economic science condemns this principle not only as utterly false in theory and practice, but also as radically inhuman and fit only for savages and barbarians. And this principle is the great underlying cause of all our present wrongs. For this principle justifies greed and cunning and the trampling down of the weak by the strong. It creates in the young men in our colleges and wherever it is taught, an utterly false and barbarian ideal of human life. It sends them forth into the

business-world viewing humanity with its innocent men, women and children simply as a field to be worked, harvested and plundered by them for their own selfish aggrandisement. It divides the race into two classes, sheep and wolves, and justifies the wolves in devouring the sheep.

Here, then, is the first great cause, indeed, the root of present industrial wrongs, namely, the imperfect social ideal and the crude and barbarian economic science which now prevails. And the remedy for this source of wrong lies in the teaching of a larger and more generous social ideal and the introduction of a sounder and a more scientific economic science which will emphasise and demand organized co-operation and democracy in the industrial world in the place of individualistic strife and war.

4.

The second cause.—The second cause of industrial wrongs lies *in the absence of all economic teaching and vocational training in our public schools such as even our present system should require.*

It is a fact that down to the present time the boys and girls in our public schools have been taught practically nothing of the most necessary art of making a living, when adult life is reached, and, especially, of making a living together in peace and good-will, with justice toward all. They have been taught practically nothing of the great principles of the efficient production and just distribution of wealth. Their minds have not been directed to the true economic foundation of life in the acqui-

sition of capital and the earning of a dividend from it. They have not been carefully instructed regarding the causes of injustice and wrong in the industrial world. They have not been trained even in the individual virtues of thrift, industry and economy. They have not been taught habits of temperance and self-control. And they have not been trained in any useful vocation so as to fit them for success in the struggle for bread. And if such is the condition of the great mass of the common people in America, how much worse is their condition in parts of southern Europe and other countries where they have practically no schools at all.

The result is that even in the United States the mass of the people come to mature years utterly ignorant and helpless economically and vocationally, and they easily become the victims, not only of their own incompetence, but also the victims and the tools of the astute and the sagacious classes. Furthermore, by their very helplessness they invite injustice and wrong; for there is nothing that so tempts the cupidity of the astute and the sagacious as the existence of a vast, ignorant and easily exploited class at the bottom of society.

Here, then, lies the second great source of industrial wrong. And to remedy this wrong, it is evident that we must plant the public school everywhere and we must introduce into our schools a sound economic science. We must teach everywhere the principle of organized co-operation and democracy in the industrial world, in the place of individualistic strife and war. And we must introduce

a most careful industrial, economic and vocational training. We must thus raise up a just, enlightened and a competent people, who shall not only be able vocationally to fill their place in the industrial world, but shall know the foundations of economic justice and shall be able so to reconstruct our industrial activities as to bring justice and fair-play to all in the struggle for bread.

5.

The third cause of wrong in our present industrial system lies in *the wrong policy or principle which exists at the very foundation of our industrial and economic life.*

It is commonly said that American institutions are democratic and that, therefore, the evils from which we suffer in the industrial world are the price which we pay for democracy. No greater misstatement was ever made. For our government is, indeed, in its foundation democratic and our school system is also democratic; *but our industrial system is not democratic at all.* It is based upon the principle of pure individualism and anarchism. There is nothing democratic about it. For industrial democracy implies the ownership and control of the whole industrial world by the whole people, collectively, organized by law into a single business corporation to that end. But the industrial world has never been owned and administered by the whole people collectively, nor have the people ever been constituted into a single business corporation for that purpose. Indeed, when our government was formed,

our fathers had no desire for such industrial democracy, and we have always repudiated it. What our fathers desired was simply the abolition of all special privilege. *They desired to make, and did make, the struggle for wealth to be a fierce free-fight-for-all* in which each man was to be given, theoretically, equal fighting chance with his neighbor *with the expectation that the best man would come out on top.* In other words, the man who could produce and especially *grab the most* was to have the most. This policy all deliberately adopted.

Furthermore, under the fallacious plea that under a free-fight-for-all policy, justice would be self-acting, conscience itself was deliberately repudiated as an unnecessary factor in the industrial world. Each person was told to plunge into the struggle for bread undeterred by any principle of justice or fair-play. "*These,*" it was said, "*would take care of themselves.*" And the motto adopted by all was—*Let him take who hath the power and let him keep who can.* Now if that is not a policy of pure industrial individualism and anarchism of the worst kind, it is hard to say what industrial individualism and anarchism are.

Furthermore, this policy was declared by even the ministers of the gospel to be the divinely ordained method of eliminating the weak and perpetuating the strong. For they said—"*if we make the struggle for bread to be a free-fight-for-all, it will inevitably result that the weak shall be crowded down and out by the strong, while the strong will rise to the top and live to perpetuate the race. And so progress*

shall be inevitable." The Christian scriptures say—"*If ye bite and devour one another take heed lest ye be consumed one of another.*" But these wise philosophers and religious teachers said that this law does not apply to the industrial world. On the contrary, the very marrow of the gospel of industrial progress and human salvation, they affirmed, consisted in biting and devouring one another, for how else could nature eliminate the weak and perpetuate the strong?

But what has been the actual effect of this brutal and, as it is now shown, utterly false philosophy? Its first effect has been to throw the whole industrial world into a condition of brutal strife and war in which all justice is forgotten. It has of necessity arrayed every man against his neighbor and every corporation against every other corporation. It is this individualistic and selfish policy—a policy that is fit only for savages and barbarians,—that is the chief cause of that greed and cupidity that marks the present system. It is this policy that has created the terrible warfare between capital and labor, with all its attendant evils. It is this policy which calls into being bands of financial buccaneers, of fake or semi-fake corporations whose only object is to prey upon the people. It is this policy that is the primary source of that mismanagement and selfish economy that results in terrible railroad wrecks, appalling mine disasters and fatal factory fires. For when a railroad or factory or mine is owned by a few men, distinct from the workers and the consumers, and when these few

are governed by the law, which forms the basis of our present system—of "*every man for himself*," and when the few in control know that their time may be short and that they must "make hay while the sun shines" and grasp all they can before any other group ousts them or conditions change, the inevitable result is that the few in control will run the railroad or the factory or the mine, with the one object in view of making and grasping as much plunder as they can in the quickest time possible. And this means to neglect all proper precautions of safety. It means to run great risks and to depress wages and raise prices. In short, it means robbery and oppression. Finally, it is this individualistic policy which has called into being that financial oligarchy of which I shall speak in the next section and which has seized control of the whole industrial world.

Here, then, is the third cause of present industrial wrongs, namely, the false individualistic and anarchistic policy on which our present system has been deliberately founded. And until we repudiate this policy and adopt instead, full collective ownership and collective control of our industries, these evils shall inevitably continue.

6.

The fourth and most terrible cause of present industrial wrongs is the *seizure and control of the whole industrial world by a few irresponsible men who are thereby enabled to oppress and plunder the people without mercy.*

No people can repudiate sovereign collective control over any part of their own affairs nor engage in perpetual strife and war of any kind with each other, without one of two things taking place. Either they will, sooner or later, be subjugated by some strong, despotic power from without, or by some strong, despotic power from within. There is no escape from this law.

Now, in America, the people, misled by a false philosophy, have repudiated all collective control over their industrial affairs. We have deliberately adopted the policy of individualistic strife and war in the place of united action. We have adopted a policy which is, indeed, fit only for savages and barbarians. And what has been the fatal result? The fatal result has been that we have not, indeed, been subjugated by any foreign power. We have been on the alert against that. But we have become subjugated by an arrogant industrial oligarchy from within, an oligarchy as relentless as ever placed its iron heel on any people.

For the astute and the sagacious have not been blind like the people. They have seen the need of united action on the part of those who would rule in the industrial world. They have taken advantage of the division of the people and the false philosophy by which the people are blinded and kept divided. And they have quietly combined and acquired sovereign irresponsible control of the whole industrial world and loaded themselves upon the people's backs to unending generations.

7.

The chief agent through which the astute and the sagacious have acquired this sovereign, irresponsible power is the *modern consolidated business corporation.* And this is a truth which it is most important to take into consideration, if we would rightly understand the source of present wrongs and reconstruct our industrial system. For few persons realize today the significance and the function of the consolidated business corporation. Most people regard this institution as a piratical thing, a wicked outsider, that has thrust itself into our industrial life. But such a view is entirely wrong. For the business corporation—the consolidated business corporation—is one of our necessary and divinely ordained social institutions. It is a just and a necessary part of the social order. It is as just and necessary as civil government or the public school. And it has come to stay.

A few words will justify this statement. In order to effective production and the just distribution of our material necessities, three things are imperatively needed. The first is *capital,* that is, the agents of nature harnessed for human service; the second is *labor,* that is, human effort applied to the creation and utilization of capital, and the third is *some institution that will secure consolidated and democratic administration and control.* For all our industrial activities are social, co-operative, and form one whole. They must be wrought by the combination of all the capital and all the labor of the country organized into one great whole. And this

combination of all our industries into one whole of which each man is a single organic factor, has already taken place, whether we have the intelligence to recognize it or not. Not a single man in the country today makes a living by himself alone. We are all interdependent. We are all co-partners within a single, vast organized system. And each man is dependent upon that system and the method of its administration for justice and fair play. In order, therefore, to achieve justice and efficiency, the industrial system *demands a consolidated administration, and an administration directed by the sovereign will of the whole people.* But in order to secure such an administration, we simply must have some agent or organization adapted to secure it.

Now the agent or institution which our industrial necessities and social evolution are creating and have created for this very end, is the consolidated business corporation. Indeed, it can be shown that this institution is designed and destined to sustain the same relation to the people collectively in the industrial world as government in the political. *For it is evidently designed to be the agent through which the whole people collectively shall assume sovereign ownership and control over the whole business world, and not only secure efficiency, but justice to every soul.* And just as government has come up from small beginnings, in response to our political necessities, and has come up to serve as the agent of political democracy, so the consolidated business corporation has come up from equally small beginnings in response to our

industrial necessities, and it has come in order to serve as the agent of industrial democracy. Extended proof of this can be given, though we cannot give it here. And as in the political world, the several colonial governments have been consolidated and brought under one all-powerful consolidated government, so in the industrial world, the several distinct and separated business corporations have practically become consolidated and brought under the control of one central, all-powerful business corporation.

8.

Now here is a fact of tremendous significance. For every part of the social order has not only its peculiar function, but also its peculiar elements of power to control which may be used either for good or bad ends. For example, the function of the church is to teach the people righteousness and truth both in the realm of morality and religion. Hence, the church has tremendous power to invade the mind and either enlighten and emancipate it, or darken and enslave it. Hence, we find that in all ages, the astute and the sagacious have sought to acquire control of the church and use it to bend the people to their sway. Again, the function of the government is to make law. Hence, the government has also tremendous power either to oppress or to protect and emancipate the people. And, hence, the astute and the sagacious have always sought to secure, direct or indirect, control of all the departments of government so that the

laws, the judiciary and the police and military power shall, in every case of difference between them and the people, be on their side.

Now, the modern consolidated business corporation has also its peculiar functions and, therefore, its peculiar sources of power to control. Indeed, it has a power within its own proper realm equal to that of government itself. And whosoever controls the consolidated business corporation, controls the very sources of the life of the people.

For, in the first place, it is the function of the consolidated business corporation to own the plant and to control, as it actually does, all the capital and all the labor of the country. It determines of necessity who shall work and who not. It is a fact that probably three-fourths of all the men who work today must apply for work at the door of the corporation and take such jobs as it chooses to give. It is the corporation that fixes all wages with sovereign sway. The corporation determines all prices both in buying and selling, and all commodities pass of necessity through its hands. And the corporation is coming to be the agent that fixes all dividends, and it gives its directors supreme control over all the capital of the country.

Now, let any intelligent person reflect for a moment upon this power which is held by the corporation, and he will perceive that it is simply tremendous. In a way, it is more direct and far greater than that of government itself. For it holds in its hands, we may say, the power of life or death

over every soul, for it controls the very sources of life. It can tax the people every time they buy or sell. It can protect the worker or rob him of his just pay and give to its own servants an income greater than that of ancient kings. *Such power should never be entrusted to irresponsible hands. It should be held only by the whole people collectively.* And here lies the proof of the affirmation made a few paragraphs before, concerning the validity and the necessity of industrial democracy. For it is evident that *in view of such tremendous power, the consolidated business corporation, like the government, should be owned and controlled only by the people's sovereign will.*

But what do we actually see today in this so-called free America? Is this consolidated business corporation owned and controlled by the people in favor of justice and efficiency? No. On the contrary, we see that this power of industrial control is actually held within, and directed by the hands of a few men who are responsible to no one for the exercise of that power nor for the time that they shall hold it. And this irresponsible group of men say who shall be their successors. Indeed, they often hand their power down to their descendants like the Czar of Russia, and they are able to load their children upon the people's backs to live in idleness and luxury to unending generations. They view all humanity,—men, women and helpless children,—as a field to be worked and harvested for their own benefit alone.

9.

How a small group of men could acquire irresponsible control of the vast consolidated business corporation and come to wield such terrible power is easily explained.

In the first place, the people have been, and are still, utterly blind as to the real function and power of the business corporation. But the astute and the sagacious have not been blind to its function and tremendous power. They have been wide-awake. And while the people have been asleep or insanely warring with each other, thinking that industrial strife and war was the very gospel of industrial salvation, the astute and the sagacious have quietly combined and seized entire control of the consolidated business corporation and thereby acquired a power to oppress and plunder greater than that of the ancient Caesars.

Thus the policy of industrial individualism and anarchism, introduced, aided and sustained by the ignorance and slumber of the people, has given birth to industrial despotism. And the so-called class-struggle is no longer a struggle between the mere wage-earner on the one hand, and the capitalist-class on the other, but between this merciless oligarchy which has grasped all power, on the one hand, and the whole people of he United States, on the other. For the whole people have come to be the helpless victims of this all-powerful oligarchy at the top. Even bankers and other men high in the business world, stand in awe of this new despotic power.

Now here is the fourth fundamental cause of that injustice and wrong that marks the present industrial world. For what are the elements of power which this irresponsible industrial oligarchy holds? It holds all the elements of power that reside within the consolidated corporation, as just enumerated.

In the first place, these irresponsible men own the plant, although it may have been built wholly by the people's money, taken from savings banks, or from government appropriations and other sources.

Second, they have the power to say who shall work and who not, and who shall go into business and who not.

Third, they are able to fix all wages and salaries with despotic sway, and pay very low wages to the workers and award enormous salaries to themselves and their friends.

Fourth, they are able to fix all prices and pay low prices to the farmer and others who have anything to sell, but charge very high prices when the people come to buy. Thus they are able to push the cost of living away up into the air.

Fifth, by this power to control all wages and prices and dividends, this financial oligarchy is able to force from the people all the capital which the people create, and then appropriate all the dividends which of right the people should receive.

Sixth, but this is not all. When the worker or anyone not within the oligarchy in power, succeeds by extraordinary efforts, in spite of past robberies,

in saving a little money and investing it, the oligarchy in power will pay him only a very small dividend as, four or five per cent, but on its own capital—the capital which it has largely appropriated from the people,—the oligarchy succeeds, by watering stocks, by high prices and other methods, in earning enormous dividends which sometimes rise as high as one hundred and even two hundred per cent and more.

And the oligarchy in power is able by graft, by reorganizations and other methods to rob the people of the last remnants of capital which they succeed in acquiring.

10.

The fourth and chief source of present wrongs lies, therefore, not in profit-taking, as Marxists teach, but in the seizure and control of the consolidated business corporation by the astute and the sagacious who are, thereby, enabled to rule the whole industrial world with despotic sway and appropriate the whole product of both labor and capital whether in the form of wages and salaries or prices and dividends or graft unspeakable.

And the cause of the class-struggle does not lie, as John Spargo says,* in the fact that we permit profit-taking, but in the fact that a small group of men hold unlimited power over the whole industrial life of the people, and the people, deprived of all power of control, have become the helpless victims of those in power. And the struggle between

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* Spargo's *Socialism*, page 160.

worker and capitalist today is not a struggle on the part of one class to preserve, and on the part of the other to abolish profit-taking, but a struggle on the part of one class to keep, and on the part of the other to break this despotic power of control which an industrial ol garchy holds within its hands. It is, in short, a struggle on the part of both classes for power to control,—for power to exact, or to refuse to pay tribute, whether in the form of profits or wages and salaries or graft. Why does the capitalist class so hate the labor union and especially the industrial workers of the world? Why is it that all capitalists so persistently refuse to do all collective bargaining with the worker? Is it solely a question of a little higher or lower wages or of efficiency or non-efficiency? No. The fundamental question at issue is that of power to control. And this the capitalist class clearly perceives. And while all that the members of this class ostensibly demands, is power to control the business which is rightfully theirs, yet in realty they know that they have a grip upon the very life of this whole nation and it is this power to exact tribute which they do not mean to surrender until forced to do so by law.

And the great question at issue in the United States today is not the question whether we shall or shall not abolish profit-taking,—for that has nothing to do with the matter,—but whether the power to control the whole industrial world with sovereign sway—the power to fix wages and salaries and prices and dividends, and the power to govern all industrial opportunities, shall be held within the

grasp of a few irresponsible men or within the hands of the whole people collectively, that justice may be done.

It can, therefore, be seen that the cause of present industrial wrongs does not lie as Marxists teach and the socialist party proclaims, in profit-taking. For that has nothing more to do with present wrongs than the fact that we eat food and wear clothes.

The cause of present industrial wrongs lies, *first* of all, in the present low moral development of the race and its crude economic science. *Second*, in the absence of all economic and vocational training from our schools and the consequent existence of an ignorant, slumbering people who easily become the victims and tools of the astute and the sagacious, and who, by their very ignorance, tempt the greed and the cupidity of the astute and sagacious. *Third*, in the false individualistic and anarchistic policy which lies at the very basis of our present system. And *fourth*, in the industrial despotism to which that individualistic policy has of necessity given birth.

The cause of present wrongs, therefore, is partly intellectual and moral and partly sociological and organic.

And to remedy these sources of wrong, we must not attack profit-taking or the investment of one's savings for an income, but we must enlighten the people and give them a larger moral and social ideal. We must arouse the workers, the farmers, the small business man, the teacher and the preacher, to a sense of collective responsibility for the defense

of their own and the people's rights. And, repudiating that industrial individualism and anarchism on which the present system is based, we must resolutely overthrow forever that industrial oligarchy which now rules the industrial world and establish a real industrial democracy in its place. We must, in short, make the people collectively to be the business corporation, by law, and then turn the whole industrial world over to their sovereign administration and control. For, then, the people, collectively, and not an irresponsible oligarchy, shall have control of both capital and labor. And they shall have the power to fix wages and salaries, and prices and dividends, with justice toward all. And all spoliation shall of necessity cease.

When, therefore, Marxism attributes the cause of present wrongs and the class-struggle to profit-taking, it gives an entirely wrong diagnosis of the case. It fails to hit the bull's eye of the evil. It fails to direct the energies of the people against the right point of attack. And in creating a hatred of dividends, it is causing the people to seek to destroy that which it is of the greatest importance to preserve, and which is the very bulwark of justice and fair play between man and man.

In the following chapters it shall be shown how we can reconstruct our industrial system and yet give to capital and profits their true place and function.

PART V

The Right Concrete Plan or The Next Step in Our Industrial Evolution

CHAPTER XII

The Right Concrete Plan—Fundamental Principles

THE time has come when we must work out a definite concrete plan for the reconstruction of our industrial system and the remedy of present industrial wrongs. The need of such a plan is imperative. The proclamation of a mere abstract principle will not do. The socialist party, handicapped by the Marxist errors, is forever saying—"We do not need any concrete plan to remedy present wrongs. Just put the working class into power and it shall be given them what to do." Such talk appears to many to be the sheerest nonsense and it will surely end in failure.

All human progress is the product of two factors. First, there is always the pressure of some great wrong, or the desire for some great good. And second, there is the agency of the inventive mind in working out the right concrete plan by which to remedy the wrong or bring in the desired good. There never has been a single step of human progress at any time in human history without the presence and operation of both of these two factors.

And it is exceedingly dangerous to go forward in any great reconstructive movement without a clear conception of the concrete remedy to be applied.

For, for any people to revolt against some great wrong with no clear conception as to how that wrong shall be righted, is to invite failure and throw away human life and effort to no purpose. Certain doggerel lines run—

> "A mule can kick and still be a mule
> A man can kick and still be a fool,
> Unless he kicks to a purpose."

And this is what every people or class does when it revolts against some great wrong but has no concrete plan by which to remedy that wrong. Venezuela is said to have had thirty-two revolutions in thirty years, a little prior to the year nineteen hundred. And yet at the end of that time, the condition of the people was no better than when they began. And this was because they did not possess sufficient intelligence to work out that concrete plan or measure, which was necessary to remedy the wrongs against which they revolted. And the present revolution in America against the present industrial system, will end in failure unless we have sufficient intelligence to work out the true concrete plan or measure by which to remedy those wrongs to which we are opposed.

In this chapter it is our purpose to inquire —what are those fundamental principles which must lie at the basis of all successful and effective industrial reconstruction?

First.—In order effectively to remedy present wrongs we must, first of all, secure for the people, collectively, by means of government enactment,

the direct sovereign ownership and control of the whole industrial system and every element of sovereign industrial power must be placed, finally and forever, within their hands. *The people, in short, must be the sovereign masters of the whole industrial world.*

At present the whole industrial system is owned and directed by a few irresponsible men; and a feudalistic oligarchy is rapidly obtaining sovereign control of the whole industrial system and making it the agent of unlimited oppression and plunder.

In order to remedy present wrongs, therefore, the first thing to do is not to go back to that lawless individualism which our fathers adopted. For, even if that were possible, it would only reproduce the very conditions from which our present evils have sprung. Neither can we continue under the present despotic organization. In order to remedy present wrongs, the thing which we must do, therefore, is to go resolutely forward to a real and effective industrial democracy. In other words, looking that irresponsible oligarchy which now oppresses us in the face, we must say, cost what it will—"*You must go,*"—and by the sovereign power of the ballot, by act of law, we must compel it to go. And the people must, for the first time in human history, assume resolute, collective ownership and sovereign control of their whole industrial system and so bring justice to all.

And the people collectively must assume every industrial responsibility and every element of sovereign industrial power. They must ultimately own

every plant—the railroads, the factories, the telegraphs and telephones, the lands and the real estate. They must be responsible for the subscription and control all the invested capital; they must elect and call to account, by some right method, the directors of each plant; they must, by some right method, fix all wages and salaries and direct all labor of the country according to justice; they must fix all prices and determine all dividends; and in every other way assume the direct sovereign management and control of all our industrial activities. *Thus we must make the people to be, indeed, collectively responsible and collectively supreme.* Such is the first principle which we must resolutely adopt, if we would properly reconstruct our industrial system.

It is important to emphasize this truth at this time, for there are those who hate the present despotic control which has seized upon the industrial world, and yet they fear industrial democracy. They seek, therefore, a middle ground between the two. This seems to be the idea of the so-called progressives in both the old political parties. They advocate the creation of industrial commissions to watch and control the trusts. They thus hope, through the industrial commission, to restrain the corporation within legitimate bounds and yet continue to preserve the old individualistic principle which makes the struggle for bread and for wealth to be a free-fight-for-all in which the best man is to come out on top.

But these progressives shall utterly fail in their

expectations. There is no middle ground whatsoever between an absolute industrial autocracy on the one hand and a sovereign industrial democracy on the other. Our experience with the Sherman anti-trust law and the numerous industrial commissions which have been created within the past few years, all verify this affirmation. The only wise, enlightened and surely successful course to pursue today is to put our trust in the people, and go fearlessly forward to a full, unhampered industrial democracy. This alone will bring us sure relief, and make justice universal and permanent.

Second.—In order to remedy present wrongs, the people must acquire and exercise this sovereign ownership and control *through the modern consolidated business corporation which is the specific agent of industrial consolidation and control.* In other words, the people must themselves be the corporation.

The social organization of man, like the organization of the human body, is a very complex affair. It has a distinct organization for each function. The moral and religious instruction and training of the people—that is, their training in righteousness, happiness and life,—belongs to the church. The function of law and order belongs to the government. The function of education belongs to the public school. The care of the criminal classes and the bodily and mentally defective belongs to our corrections and charities. And every other social function belongs to some special organization adapted to that special end.

If, therefore, the people collectively desire to obtain sovereign control over any public function *they must acquire and exercise such sovereign ownership and control through that particular part of the social order to which that particular function specifically belongs.*

Now, what is that particular part of the social order to which our industrial activities specifically belong? It is evidently not the church, as all will see at once. Neither is it the public school, and neither is it the government. That particular part of the social order to which our industrial activities specifically belong is the consolidated business corporation.

The truth of this affirmation is seen upon a little study. For, as it has already been shown, the modern consolidated business corporation was specifically created by our economic necessities for this very end. This consolidated business corporation is no piratical organization that has fastened itself upon the social order from without. It is the product of our necessary social evolution. It is an institution of vast proportions and tremendous power. Furthermore, it is specifically adapted to become, and indeed is designed to be, the agent of industrial democracy. For the business corporation embraces two great factors. First, there are the voting members, who own the plant, supply the capital, and exercise sovereign authority and power over the organization; and second, there is the directorate which is chosen by the voting members

and serves as their agent, acting under their authority, in the management of the business.

Now here, it can be seen, is the most perfect basis for the establishment of a real industrial democracy. For, to achieve this end, all that we need to do is to make the whole people collectively to be, by law, the sovereign voting members of the corporation and throw every industrial responsibility upon their shoulders and all power into their hands. And at once we shall have a real industrial democracy.

And this is what we must do if we would effect a true industrial reconstruction and give to capital and dividends their true place. We must make the whole people collectively to be the consolidated business corporation and then place all industrial responsibility and power within their hands. We must give to them the ownership of each plant; make them rigidly responsible for the supply of the needed capital; enable them to elect all directors; control all labor, fix all wages and salaries, and prices and dividends; and so control the whole corporation with sovereign sway. Such is the second principle which we must adopt if we would achieve effective industrial reconstruction and remedy present wrongs. How this measure shall be introduced shall be shown later.

Third.—In the reconstruction of our industrial system we must continue *to call for, and even require, the individual subscription of the capital and pay dividends, just as in the private corporation today.*

For, as we have already shown, no plant can be

created and maintained without capital. Hence, every man should be called upon and even required to supply his due quota of the needed capital. And this will, indeed, be no new requirement. For today every man is, as a matter of fact, made to put in his quota of the needed capital of the country,—only today it is taken out of him largely by stealth and no record of it is kept and no dividend is given. And no man will escape the same process under Marxist socialism, notwithstanding the fact that many seem to think to the contrary. For under Marxist socialism, as it has been shown, the capital shall have to be raised just as truly as today and every man will be obliged to pay in his due quota just as today. The only difference will be that under Marxism, just as today, it will be taken from each man by stealth. No record shall be kept of it and no dividends shall be paid. And when a man stops work, as we have shown, Marxism will rob him also of all his capital. Since, therefore, we all must pay in our quota anyway, and since we do not desire to be robbed either of our dividends or capital, a true economic science demands that each man shall be called upon to subscribe and pay in, individually, his due quota and that each shall also receive, as we have said, the due earnings of his invested capital.

And we have seen the imperative need of the payment of dividends on the capital invested. For capital is productive and it is a necessary source of income in every man's life. The payment of dividends is necessary to secure justice. Not to pay

dividends is robbery. Furthermore, we cannot get rid of the payment of dividends as it has been shown in the preceding chapters. They are an economic necessity; and if we try to abolish them in one form, they will inevitably come back in another. For if we refuse to provide for life's necessities by the payment of dividends on the earning of each man's capital, then, like Marxists, we shall be compelled to resort to the vitiating and pauperizing method of pensions. *True economic science, therefore, demands that we shall frankly recognize the utility of dividends,* that we shall preserve them and perfect their operation, and make them to be the crowning feature in our new industrial system. It follows, therefore, that we must not only refuse to omit the individual investment of capital and the payment of dividends, but we must positively demand, in the acquisition of every old plant and the creation of every new, that, in each case, the capital shall be individually subscribed and that dividends shall be paid and even guaranteed.

Fourth.—In order to achieve the effective reconstruction of our industrial system, we must keep the administration of our industrial activities *organically distinct from every other function;* we must conduct these activities *after strictly business principles,* and we must bring them under such regulations as are necessary to prevent abuses, bring justice to every man and bring efficiency into every function.

In the course of our social evolution, it is a simple fact that a distinct institution has been created for

each special function. And all history shows that in order to secure efficiency in any function and escape corruption, it is important to keep each function entirely distinct, administratively, from every other. Thus all history shows that church and state should be kept distinct. We cannot mix the two functions without corruption and oppression. We are learning, too, the need of keeping distinct the political and the educational functions. Just so sure as we allow these two functions to merge in any way, education suffers and government is corrupted. So also it is true that just so sure as we mix our industrial and political functions, our industrial functions will suffer and the government itself will be corrupted.

When, therefore, we reconstruct our present system and the people become the business corporation, we must not turn the business management over to the government, nor must we permit our business directors in the public corporation which we shall create, to be appointed by the mayor of the city, or the governor of the state, or the president of the United States. No private corporation today would think of choosing its directors in that way and neither must the public corporation do so. When the people collectively shall have the management of their own industries within their own hands, they must choose their own industrial officials and make them directly responsible to the people.

And we must conduct our industrial activities after *strictly business principles.* Every human

function has its peculiar laws and methods of successful operation. We have found, for example, that in the training of humanity in righteousness, certain specific laws of moral development must be observed. And the church that violates these laws does not accomplish its intended purpose. We have found also that there are certain specific methods of caring for the criminal, the delinquent and unfortunate classes. For we are then dealing with people who are defective in body and mind and we need to exercise care and use methods peculiarly adapted to these classes, lest we do more harm than good. So also there are certain specific laws or principles that apply to the successful management and operation of our industrial activities. And unless we are careful to observe those laws or principles we cannot carry on our industries successfully.

When, therefore, we say that in the reconstruction of our industrial system, we must conduct our industrial activities after strictly business principles, we mean that we must continue to observe those great principles which the past has shown to be necessary to the successful and just operation of our industrial enterprises. We must not, therefore, apply to the industrial world those laws which we apply to our charities and corrections. We must not make our industrial system to be a charity organization where the indolent and the lazy can find fat jobs with little work. In our charities, our law is—"*To each according to his needs.*" In our industrial activities, the law must be—"*To each according to his deeds.*" So also every other prin-

ciple which experience has proved, or shall prove, to be necessary to the most efficient production and the just distribution of wealth must be strictly observed.

We must also remember that every social change has its peculiar liability to abuses. And such will be the case with industrial democracy. Hence, we must, in introducing industrial reform, enact such rules and regulations as shall protect our industrial activities against those abuses to which they shall then be peculiarly liable. We shall thereby bring justice to each soul and efficiency into every part.

Finally.—With the introduction of public ownership, an industrial institute should be established to instruct the people in the new responsibilities which public ownership brings. And a new economic science, based upon collective ownership, should be introduced into our public schools—with vocational training—so as to fit the new generations for the new industrial order and make them skilled workers within it.

We have now unfolded the fundamental principles on which we must build, if we would work out any effective measure or plan of industrial reconstruction and reform. Assuming these principles to be correct, what, we ask, is that concrete plan by which to embody these principles within our social order and achieve the next step in our industrial evolution. This question we shall answer in the next chapter.

CHAPTER XIII

The Right Concrete Plan—Fundamental Demands

ASSUMING that the principles affirmed in the preceding chapter are correct, and especially that the consolidated business corporation is the necessary agent of industrial management and control, what are the fundamental demands which a sound economic science makes in order to achieve effective industrial reconstruction? How shall we introduce the true industrial commonwealth?

First fundamental demand.—In order to remedy present wrongs, a sound economic science demands, first of all, that the government shall constitute the people, by legislative enactment, from town to nation, into a *People's Consolidated Business Corporation*, distinct from government, with authority to acquire, own and operate every industry which the welfare of the people may demand; and it demands that every element of industrial responsibility and power shall be placed forever within the people's hands, and that, step by step, the whole industrial world shall be brought, by mandatory law, under their immediate, sovereign management and control.

Our great industries—our railroads and telegraphs and telephones, our factories, our markets and stores,

our mines and forests and other plants,—all belong of right to the whole people collectively. We always think of them as ours and speak of them as ours. When American shipping petitioned for free toll through the Panama canal, as against foreign ships, the plea was that American ships are our ships. Well, if they are ours, and they certainly should be ours, let us own them and permit them no longer to be the agents of special privilege and plunder. And we say the same thing of all our other great industries. We demand that the American people shall, indeed, own these industries themselves and make them the agents of the whole people for the profit not of the few alone, but of all. And since the grand organic agent of industrial consolidation and control is not the government but the consolidated business corporation, we demand that the whole people collectively shall acquire sovereign industrial control, not through the turning of our industries over to the government, but by making the people collectively to be the consolidated business corporation and turning all our industries over to their sovereign management and control.

Here, for example, is a town held within the predaceous grasp of a private electric light corporation. How shall the people according to a sound economic science, free themselves from such predaceous grasp? To achieve this end we should not turn the electric light corporation over to the selectmen or mayor of the town, for these have not been elected for that purpose and it is unwise to mix political and industrial functions. But we must constitute the people,

by law, into an electric light corporation, of which every man shall be a member, with authority to own and operate their own electric-lighting plant with justice and to the profit of all. In short, we demand that the people shall be their own electric light corporation. In no other way can they make themselves masters of the industry and get justice.

But what shall be the organic structure or constitution of this people's corporation which the people shall create, and what powers shall be placed within the people's hands?

The business corporation when rightly constituted, embraces two essential factors. First, there are the stockholders or voting members. These own the plant, and constitute the sovereign body corporate. Second, there is the directorate or managing board. This is elected by the corporation to direct and manage the business as determined by the sovereign corporate will.

Now the people's consolidated business corporation must embrace the same two great organic factors. First, there must be the sovereign voting membership of the corporation. This must embrace the whole adult population of the community. And second, there must be the official board or directorate of the corporation, just as in the private corporation; but this must be chosen by the whole people, collectively, and shall be directly accountable to the people's sovereign will.

And all power must be placed, finally and forever, within the people's hands. The people collectively, therefore, must own the plant; they must

be made to be responsible for the supply of the needed capital; they must elect the officials, especially the official board of directors or president; they must fix all wages and salaries by some appropriate method; and they must be, collectively, the business corporation; and the whole plant, in every industry, must be placed under their immediate sovereign ownership and control.

Thus democracy, which has already acquired control of the government and education, shall now acquire supreme ownership and control of the consolidated business corporation or trust, which is the institution created by our social evolution for that very purpose, and the whole industrial world shall be placed forever under the immediate sovereign ownership and control of the people.

2.

Second fundamental demand.—In order to remedy present wrongs, a sound economic science demands, in the second place, that the capital under this socialized business corporation, shall, in every case be individually subscribed and owned and that dividends shall be paid, just as in the private corporation; and it demands that each man shall be called upon and required, by law, to subscribe his due quota or share of the needed capital according to age and ability.

This provision follows from what has already been explained in the preceding chapter. For the aggregate capital needed to run our industries must be raised. And if the whole people are to be the

corporation and if each man is to be a sovereign responsible member of it, then the whole people collectively must supply the needed capital and each man must put in his due quota. The responsibility of each man must be commensurate with privilege and power.

And every thrifty man will be able to subscribe his due quota of the needed capital. In the introduction of this plan all may not be able, indeed, to pay in their whole amount *at once.* But every man will be able to put in something and, given time, he will be able to get his full quota in. To do this, of course, will require thrift and forethought. But thrift and forethought are not bad things; indeed, the world will never, even under socialism or any other system, be able to prosper without the exercise of these virtues.

But suppose that some person, through misfortune or sheer incapacity or willful wrong, simply will not work and, therefore, shall have nothing to pay, what shall we do? In such a case we shall do just as today in collecting taxes. We shall view such a man as a delinquent or defective, who through some cause cannot meet his industrial obligations and privileges. And we shall have to count him out and supply his part of the needed capital in some other way. We shall invite the thrifty to put in a surplus in his place; or, this failing, we shall require the government to give its bond for the remainder. And so the whole amount of the required capital shall be supplied and the plant shall be taken over at once.

In the assessment and collection of the amount of capital required from each, we can, until a better method is discovered, proceed in the same way as we collect taxes today.

In relation to dividends, a wise economic science will recommend and even demand, at least in the introduction of this plan, that the government shall guarantee a minimum dividend of at least five per cent; and permit the industries of the country to pay as much more than this as they are able, up to ten or twelve per cent. The government shall, of course, receive the dividends on the amount which it has subscribed, like any other investor. And those who have subscribed a surplus to take the place of delinquents shall receive the dividends earned by this surplus.

The government guarantee shall also be placed behind every dollar invested.

This twofold principle of the individual subscription of the capital and the payment of dividends, shall be universally insisted upon and everywhere resolutely applied. Certain socialists have said—"*Why insist upon any uniform rule in this matter? Why not make the question of dividends or non-dividends an open one and let the people apply one method in one place and another in another?*" *But such a hap-hazard policy will not do.* The payment of dividends and the individual subscription of the capital are imperative. No other method will work or be just and right. To abolish the individual subscription of the capital and the earning of dividends will not only be destructive of

individual responsibility for one's self but it will rob the worker, as it has been shown, and rob him outrageously. Dividends, therefore, must be retained and the capital must be individually subscribed and owned just as in the private corporation. And this law must be applied everywhere. Such a policy alone will be firm, just and decisive. And such a policy alone will command success.

3.

Third fundamental demand.—In order to remedy present wrongs, a sound economic science demands, in the third place, that this people's corporation shall be thoroughly democratic in structure and administration; that it shall be governed by strictly business principles; that it shall be brought under such rules and regulations as are necessary to prevent abuses and bring efficiency into every function and justice to every soul; and that the whole shall be subordinate to the acquisition of individual wealth and gain.

It is very easy to construct a people's business corporation and yet deprive the people in some way of sovereign power. Care, therefore, must be taken to make the whole structure and administration of the people's corporation strictly democratic.

And it is surely important that the people's corporation shall be conducted after strictly business principles, as it has been shown. For the people's business corporation must be no charity organization, nor an apanage of the government to be used by political grafters.

And care must be taken to prevent those abuses to which industrial democracy is liable. This is also self-evident.

Finally, the whole public business corporation must be subordinate to the acquisition of individual wealth and gain.

4.

But can these ends be achieved? Can rules and regulations be framed that will be adequate to keep the administration strictly within the hands of the people? Can we prevent graft and secure justice to all with efficiency in every function?

Yes, we can, *providing we will adopt those regulations which a sound economic science, guided by experience, demands in order to achieve these ends.*

What are some of these regulations?

First.—A sound economic science demands that the directors, or president, of each plant or industry shall be elected directly by the people and be made directly accountable to the people. Sound business principles will permit no other method of electing the managers of the people's corporation. The directors, therefore, shall not be appointed by the mayor nor by the governor, nor by the president of the United States. Efficiency and purity of administration demand that the heads of the industrial and the political departments shall be kept entirely distinct and independent, administratively, from each other and made each directly responsible to the people.

Furthermore, it should be a law that no man

shall be a candidate for the directorate or presidency of any plant, unless he shall have been a graduate of some approved school of technology and business, and shall have served a prescribed term of years in certain lower positions sufficient to put his ability to the test. And the election of the directors should be held at a different time from the political elections that the minds of the people may be concentrated at the time upon this one thing. The directors or president should be elected for a term of from three to five years, subject to recall.

It might also be wise to make it a law that every man shall be required to vote at the election of the directors, in order that a full vote shall be given at each election. But it might be a law that no man shall be allowed to vote for a director unless he has paid in at least a prescribed minimum part of his required capital. For in our reconstructed industries every thrifty man will be able to pay in his full quota or, at least, some part of it. And if any man is so indolent or vicious as to refuse to work and so be able to pay in nothing at all, it would seem to be just that he should be classed as a pauper and made to forfeit a part, at least, of his power as a member of the corporation. He might be allowed to vote on all other questions, but not on the election of a corporate director. But this is a debatable point which the majority must decide.

Second.—A sound economic science demands that a board of commissioners on wages and salaries shall be annually chosen by the people to fix and

adjust wages and salaries according to justice. And it shall be a prescribed law that the consideration guiding this board shall be justice and not competition. The question which the board should ask in determining the relative wages and salaries of all workers and officials should be—"*What is each job relatively worth,*" and not—"*How cheap can we get the man.*" And the aim should be to make the wages as high, and not as low as possible consistent with justice. For all of us shall be in the corporation for the benefit not of a few but of all. And hence, we must make the wages of all, as well as the dividends, as high as possible. No man, therefore, should ever lose a job simply because some other man offers to do it cheaper. The one question in every case should be,—what is this job honestly worth? And then the best man should be given the job. By this rule the people shall bring forever to an end that outrageous robbery of labor that prevails today, and they shall end that constant bringing in and perpetuating of the worst instead of the best classes—an evil which results from the law of always giving the job to the cheapest man.*

A board of arbitration could also be wisely created in each factory or plant to protect individual workmen from unjust discrimination.

Third.—A sound economic science demands that all prices shall be fixed by the directors, and that

* See Reid's *Effective Industrial Reform,* Chapter IV, in which the rapidly deteriorating effect of the present competitive system upon the character of the population is fully explained.—The Hazard Company.

the law determining prices shall be to adjust them so as to obtain a return sufficient to pay the wages and salaries established by the commissioners, to meet all necessary expenses and pay a dividend, at least of five per cent and, if possible, as high as ten or twelve per cent on the invested capital.

Fourth.—A sound economic science demands that the right of each man to invest equally with every other, according to age, shall be amply protected. For *the subscription of capital is not only a duty but a privilege of which no man shall be deprived.* The right to invest and earn the full product of one's capital equally with every one else shall be made as sacred and as jealously protected as the right to work and earn the full product of one's labor. And as no man should be allowed to be crowded out of his job, so no man should be allowed to be crowded out of his opportunity to invest. For this is one of the most flagrant causes of injustice in the present system. Either we cannot invest at all, or we are compelled to pay an immense bonus or premium to present holders of stock and so we are robbed of our earnings.

And it will be very easy to secure justice in this matter by the use of a few simple provisions. To illustrate: Each man's investment can be classified into *required subscriptions* and *surplus bank deposits.* Each man's required subscription should then be limited to a certain prescribed amount—corresponding to the aggregate capital of the country. This will amount today, to an aggregate yearly subscription of from five hundred to six hun-

dred dollars per man and wife until the full aggregate amount for each couple, or fifteen thousand dollars, is in. Of course, with the increase of the wealth of the country, this aggregate required subscription shall be correspondingly increased. But there shall be no limit to the surplus which any man may deposit in the public bank—only this surplus shall draw no interest or dividends until the required subscriptions, actually paid in, are provided for. We can also permit investments to be *withdrawn* at any time at the option of the investor, *providing the surplus deposits of others would permit it.* But in all cases of withdrawal the money may be reinvested, at any following investment time, at the option of the investor. Furthermore, subscriptions must always be exactly at par. No man should be compelled to pay a premium in order to get his money invested in his country's industries. Hence, all so-called buying and selling of stocks or opportunity to invest shall be rigidly prohibited.

These measures for the protection of each man's right to invest equally with every one else, is an essential feature of our plan, upon which justice demands that we shall rigidly insist. Each man, therefore, shall be called upon to step up to the industrial office and pay in his capital. But if he cannot or will not do this, he shall not be allowed to sell his opportunity to a man of his own choosing; it shall go to the man who stands next on the subscription roll. Thus we shall obtain justice in the opportunity to invest.

Fifth.—A wise economic science demands that each man shall be permitted to convert his required subscriptions into an annuity which shall yield a certain fixed and a certain variable income, —to be paid to himself or wife during life, or, at death, to his orphaned children until they become of age, or each investor may, so long as present laws of inheritance exist,* *continue to draw his regular dividends and, at death, allow his capital to go to his heirs.* But when a man dies justice demands that all his capital, if any remains, shall be paid in cash (or in the form of a surplus deposit) to his heirs. For when a man dies and his children are of age, his capital must go out of the industries of the country with him, to give place to the next generation. We shall thus prevent any man's loading his children upon the backs of the people to unending generations as is done today. And we shall secure to the next generation opportunity to invest equally with its predecessors.

Sixth.—A sound economic science demands that the members of each new generation shall be called upon, when coming of age, to invest their regular quota, from year to year, and so take the place of those who die. Thus, the capital of the country shall be re-distributed according to justice with the coming of each new generation, and justice shall be done.

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* It is evident that the subject of inheritance should be reconsidered. But we cannot solve every problem at once. And, hence, until our laws of inheritance are changed, the above rule will hold.

Seventh.—A just and wise economic science demands that the grand end to be ever kept in view by the people's corporation shall be three-fold, first, to provide every man with work, and pay him the full earnings of his labor;—second, to provide all with all needed utilities and services at a fair price;—and third, to provide a place where each man can invest his savings in his country's industries, with safety, profit, and permanency, and thereby secure economic leisure and provide for sickness and old age.

These three objects shall be ever kept in view and the whole business corporation shall be constituted and administered so as to serve as the agent of the people in the acquisition of individual wealth with justice toward all.

Eighth—Economic science demands that this plan shall be, of course, subject to amendment as wisdom and experience may teach.

Finally.—A sound economic science demands that when this plan shall have been adopted by a majority vote of the people and ordered by the government to be applied to some particular industry, its introduction, then, shall be mandatory, like the public school or the United States mail.* Every man shall be required to invest the capital demanded of him and to stand or fall with the consolidated business corporation. This will constrain every man

* Certain reviews of *Effective Industrial Reform*, by David C. Reid, have misrepresented its character as teaching a phase of "Christian Socialism" to be introduced by moral suasion, a thing which is impossible.

to give his attention to the administration of the business and make the new plan a success.

Such are some of the rules and regulations which a sound economic science demands and shall introduce. With the enactment of these and other appropriate rules it can be readily seen that the people can retain all power within their hands. Equal opportunity shall be given to every man both to work and to invest his savings in his country's industries. Every man will also receive the full product of his labor and the full earnings of his invested capital. Justice shall be maintained in relation to all prices and commodities and all gouging shall cease.

5.

Fourth Fundamental Demand.—A sound economic science demands that upon the introduction of this plan, *a people's industrial institute shall be established to instruct the people,* both in the principles of collective management and control, in general, and in the management and control of each plant in particular. The reason why democracy sometimes fails is because no measures are introduced to keep the people instructed and alert in the specific duties which democracy entails. It is democracy plus an enlightened people that will save the world. Hence, upon the turning of the first plant over to the people as this plan contemplates, it is imperative that a permanent industrial institute shall be established to instruct the people in the workings of this plan and of each plant and

enable the people to choose the right men for directors and secure the best of service.

Furthermore, as soon as possible, the schools shall be correlated with this plan. The soundest economic training shall be introduced. The young people shall be instructed in the causes of wrong under the present system and the imperative need of collective ownership and democratic control in order to justice. They shall be taught the nature and function of capital as the true economic basis of life. They shall have explained to them the function of the consolidated business corporation as the agent of the whole people in the exercise of collective control.

And the young shall be trained vocationally. The schools shall be correlated with our industries, as illustrated in the Cincinnati Union School. And every child shall be trained to be a skillful worker in his chosen vocation. By these methods we shall insure success in the operation of the new plan. For we shall not only have collective ownership and control of our industrial system, but also an enlightened and trained people to put such collective ownership and control into effective operation.

5.

Such is the concrete method of industrial reconstruction which the lovers of justice must demand, —subject to such changes as experience may dictate,—if they would remedy present wrongs.

The distinguishing characteristics—of this method are very plain.

First. It differs from all other methods, in the emphasis which it places upon the consolidated business corporation, as the agent of industrial consolidation and collective control.

Second. This plan embraces four principles: First, the collective ownership of the plant; second, the individual subscription of the capital and the earning of dividends; third, the democratic construction and management of the whole after strictly business principles with justice to all; and fourth, the industrial instruction of the people so as to insure success.

6.

Finally. *This plan strictly obeys the laws of industrial and social evolution.*

All evolution, individual and social, proceeds from within outwards and from lower to higher forms. When the Almighty created a bird, he did not create the bird *de novo*. But he took the saurian ancestor of the bird and transformed that into something higher. Its reptilian snout, the Almighty transformed into the beak of the bird; the reptilian forelimbs were transformed into wings; the scales were transformed into feathers, and every other organ went through the needed transformation until the bird appeared.

Man's social evolution must proceed, and does proceed, rigidly, after the same method. No institution ever appears *de novo*. In all progress there is always the transformation of the lower institution into something higher. There is never a break in the process.

It is, therefore, impossible for any man, however wise, to work out some new artificial plan of industrial reconstruction and impose that on society. We must, on the contrary, carefully search out that institution which evolution has already created to serve as the agent of industrial administration and control. And just as the Almighty took the forelimbs of the ancient saurian and transformed them into wings, so we, in working out our industrial evolution, must take that particular institution which nature has already created to serve as the agent of industrial administration and control, and we must transform that into something higher and better. It was the failure to observe this law that caused such a striking failure on the part of socialism in all attempts at industrial reconstruction in the past.

Now it is this law which we strictly obey in this method which we are pursuing. For in this method we do not, like Marxists, make a complete break with the present system and all the past; nor do we launch out upon an absolutely new and untried sea without chart or compass. But we take the consolidated business corporation, which is, and always has been, the agent of industrial administration and control in a more or less developed form since the world began, and we carry that institution up to its perfect evolution in the establishment of a real industrial democracy. And as industrial individualism and anarchism have been succeeded by industrial despotism, so now industrial despotism must be succeeded by industrial democracy. And

this is the inevitable course of social evolution in almost every social function.

Furthermore, this plan gathers up and organizes into one great whole all those separate and crude, but sincere, attempts to improve and perfect our present system today. That persistent attempt on the part of individuals, classes and communities, to introduce co-operative stores, manufactures, and even railroads; the opening of postal savings banks in order that every person may have an opportunity to invest his savings in his country's industries with perfect safety and permanency and with some degree of profit; the introduction of profit-sharing into many of our great corporations; the making of the worker to be a stockholder in the business; the proposals to establish commissions on wages and salaries to fix wages and salaries with justice; and even the so-called industrial commissions which aim to secure to the people some measure of control over the corporations—all of these separate suggested ways of reform are really embodied within and carried up to perfection and organized into one great whole, in that corporation plan of industrial reconstruction and reform which this book advocates. And this is another indication that this plan lies in the direction which our industrial evolution is taking. Lastly, this plan is the only method by which to realize all those specific demands which are made by the federation of churches and other organizations which are seeking for industrial and social justice.

CHAPTER XIV

Will This Plan Work? Is it Practicable?

WHEN this plan is presented to an ordinary audience or to any one person for the first time, the most frequent comment is—"*Your plan looks good, but is it practicable? Can it be put into operation? Particularly, will the people be able to raise and subscribe the capital as this plan requires?*" A careful consideration of the subject yields a decidedly affirmative answer to all these inquiries. The plan is, indeed, most practicable; it will work; and it will produce the desired results.

In the first place, the people will be easily able to raise the required capital, as this plan requires, and put the plan into speedy operation.

One of the chief features in this scientific plan of industrial reconstruction is the demand that each citizen shall be called upon and required to subscribe his due quota of the needed capital. Now, it is right here where the first question mark is usually made. "*What,*" some say, "*do you expect that the mass of ignorant and destitute workers, the proletariate, shall be able to subscribe and pay in their due share of the required capital, as your plan contemplates?*"

To this inquiry economic science most calmly replies—that it most certainly does. And it main-

tains that even at the first introduction of this plan practically every man, even among the proletariate, will be able to subscribe and pay in his due quota—only time will have to be given him to do it.

Suppose, for example, that the city of Chicago should vote today to take over its street-car lines after this plan, how much capital would each man and wife be required to subscribe together in order to raise the needed aggregate capital? Only about one hundred dollars. For there are in round numbers four hundred thousand voters in the city and the whole capital required, free from water, is about forty million dollars. Hence, one hundred dollars from each voter would supply the whole aggregate capital required.

Now, many of the proletariate, under present conditions, could not pay in this whole amount *at once*; but every man and wife could pay in a part of it, say, at least ten dollars, and gradually they could get their whole amount in. Thus a beginning could be made. Others could pay in a surplus or the city could be required to give its bond for the rest, to be held until the voters had got their whole amount in. The roads, therefore, could be taken over at once, and every man could gradually get all his due capital in. And so the road could be owned by the whole people collectively and every man could be a capitalist shareholder in the road, own his due share of the capital and reap, of course, his due share of the accruing dividends.

In like manner every other industry could be taken over, one by one, until the whole complex, industrial plant of this country, from town to nation, should be collectively owned, and every man should have in his due share of the required capital.

Furthermore, it should be observed that as this process gradually proceeded, it would gradually become more and more easy for each man to subscribe and pay in his due quota. For with the gradual introduction of this plan the present terrible handicaps of labor would be gradually removed. The first great handicap of the people, especially of the proletariate, is that they are underpaid, and, of course, this will make it hard, at first, before this wrong is removed, for each man to pay in his full required quota. The second handicap is that many of the people are economically ignorant. They do not grasp the true economic basis of life, which, as we have shown, is the individual acquisition and ownership of capital. Hence, many do not even try to save and invest capital when they could. The third handicap of the people, under the present system, is that many are untrained and do not earn one-half of what they could, if better trained.

With these handicaps it is no wonder that many will find it difficult, *at first*, to pay in their due quota all at once. But with the gradual introduction of this plan, all these and other handicaps shall be removed. For with the gradual acquisition of collective ownership of the several plants of the country, we shall gradually reduce the big salaries of the men at the top, eliminate the wastes and the

dividends now paid on watered stock and all graft, and we shall be able thereby to gradually increase the wages of the men at the bottom, until every man shall receive the full product of his labor.

And the very process of promoting this plan, and its operation, when it is once introduced, will tend to make every worker economically alert and eager to put in his due share of the required capital. The very coming of the assessor to his door once a year or once a month for his due amount and the lure of big dividends which all will then receive, will make every worker eager and alert to get in his full quota and earn his full share of the dividends. Thus, the second great handicap, the economic ignorance of the worker, shall be removed. And the third handicap will go also. For it is an essential feature of this plan to introduce economic and vocational training in the public schools and to correlate the schools with the industrial system in something the same way as is done in the Union School in Cincinnati today. The result will be that every child will come to adult life alert and fully trained for some vocation and able to make good in his struggle for bread.

Thus, the gradual introduction of this plan will gradually remove every handicap which now oppresses the worker. And when, as a result of this, we shall have not only a just industrial system, but also an alert and a skilled people, able to know their rights and duties, and able to maintain the one and perform the other, what intelligent man can doubt for a moment that the people will be able,

not only to own collectively every plant, but also to subscribe individually, each, his due quota of the required capital and so make the plan a glorious success and bring abundance and justice to all?

It can be maintained, therefore, that this plan is perfectly practicable so far as the raising of the requi ed capital by the people individually is concerned.

2.

But will not evils creep in? In particular, will not this plan invite shiftlessness on the part of workers and officials,—will there not be a lack of that discipline and strenuous effort which so characterizes the private corporation of today and is necessary to the greatest production?

No. For under this plan every man will be incited to do his best and each man will require of his fellow worker that he shall do his best. For in this plan, every worker and every citizen will be an investor in the public corporation and will have his dividends at stake. The result will be that everybody will demand that every official shall look after the plant and that every worker shall do his best and make the plant pay as big a profit as possible. Every worker in each plant will watch his fellow workers and he will say to the fellow worker who is inclined to shirk—"*You must do better work or take lower pay.*" And the workers will even complain of their officials and demand their recall, when those officials fail in requiring even of the workers themselves the full measure of faithful effort. Just as a baseball team demands

that their captain shall keep them up to the highest degree of efficiency and secure the greatest results, so, under this new plan all the workers, with few exceptions, will want their boss to keep them up to the highest degree of efficiency and produce the greatest results.

When every man and woman in the community is a member of the corporation and has his and her capital invested and dividends at stake and when the lure of increased wealth is before them, we may be sure that the whole community will demand the best effort of every one of its members, and the best efforts shall be given.

This result becomes certain when we take into account the work of the people's industrial institute, which is an essential part of our plan. For the specific purpose of this institute will be to keep the people alert, secure the election of the most competent officials and maintain that discipline and strenuous effort which brings success.

But will it not be possible, under this plan, for the idle and shiftless, in some way, to load themselves onto the backs of the industrious—a thing which many cautious persons fear under public ownership?

No. For under this plan we shall keep a careful record of the amount of work that each man does and pay him only for the work which he performs; we shall require each man to pay justly for all that he buys, and we shall keep a careful record of all that each man invests and pay him dividends only on the money that he has invested. And under this plan, there will be no free pensions. Where,

then, will there be any possible opportunity for the idle and shiftless classes forcibly or covertly to load themselves upon the backs of the thrifty and industrious?

Will it not be possible for the incompetent to vault into control and ruin the business? Said a certain business man—"*If we should adopt public ownership, the cronies of Tom Quinn*"—naming an incompetent fellow of the town,—"*would elect him to the presidency and the business would be ruined within a month.*" Is not this objection sound?

No. Such a thing would be simply an impossibility under the plan which this book proposes. For, in the first place, in this plan, no one will be permitted to be a candidate for the directorship or presidency unless he has been a graduate of some prescribed school of business and technology fitting him for the place, and shall also have occupied certain prescribed lower positions for a term of years adequate to put his abilities to the test. No person, therefore, like Tom Quinn could ever become even a candidate for any office in the corporation.

And, second, this plan will create such an individual interest and sense of responsibility on the part of each voter,—for every voter will be a sovereign, capitalist factor in the new business corporation,—as to preclude the possibility of any incompetent person's being elected to any office of responsibility or, if elected, he will be speedily recalled. For every person—the busy housewife, the keen and alert business man, the thrifty worker,

—all will have their savings invested in this consolidated business corporation, and wages and salaries and prices and dividends will all depend upon the competence of the directors in control. Each person will stand or fall with the business corporation. Hence, on the least lowering of dividends or the least rise in prices, or the least lowering of wages and salaries, *there will be an outcry at once from the whole people, and the incompetent person will be peremptorily recalled.*

Objections have been made to industrial democracy and public ownership on the ground that before it can be made successful, we will have to "*reform Tammany*" or "*change the government*" or "*reform human nature.*"

But under this plan our business system will have no connection with Tammany, and while like the public school it shall be introduced and enforced by law, yet there will be no administrative connection between this plan and any government official whatsoever; neither will it require any change in human nature to make this plan successful. For this plan will be in perfect accord with human nature. Indeed, instead of having to do any of these things which objectors indicate, it is the introduction of this plan that will put Tammany out of business, reform the government, and effect the regeneration of the nature of man.

3.

Objection has been made to industrial democracy on the sweeping charge that, under public owner-

ship business has never been so successfully conducted as under private ownership.

Even if this charge be true, it will not apply to this plan which this book proposes. In every form of public ownership tried hitherto, the investment of individual capital and the earning of dividends, which is the chief incentive to watchfulness and care, have been completely eliminated. Often the money for the building of the plant is not even taken out of the public treasury, but raised by bonding the municipality *and so loading the cost upon future generations.* The result is that in nearly every public enterprise today nobody has anything at stake. The voter has no capital invested in the enterprise and no dividends at stake; not even his taxes nor the price which he will have to pay for the service to be rendered will be affected by either the cost of the plant or the cost of running it. The result is that jobbery and inefficiency creep in to an appalling extent.

But in the plan which this book proposes, all these sources of corruption shall be removed. For under this plan every plant will be not only an agent of public service, *but also a clear business proposition in relation to each citizen for the earning of an income.* Suppose that a certain city should propose to build a system of water-works for the public, after our plan, how will that plant be viewed? It will be viewed, indeed, as the agent by which to perform a service for the public, but it will be also viewed *as a business enterprise for the benefit of each citizen individually for the investment of cap-*

ital and the earning of a new income which will accrue as a just return for the service which his invested capital will render. Furthermore, the amount of income to each man will depend upon the economy and efficiency with which the plant is built and run, just as in any private business today. The less the cost of building and running the plant, consistent with durability and efficiency, the greater the relative income to each investor and the less the liability to loss and failure. When, therefore, under this plan, the municipality shall vote to build a system of water-works, the new plant will be viewed not only as a means of public service but also of individual profit; and, hence, every man will be on the alert to see that the new plant shall be built and run as economically as is consistent with durability and efficient service. The result will be that under this plan all jobbery and inefficiency shall be eliminated both from the construction of the plant and from its management.

This result becomes certain when we take into account the work of the people's industrial institute the specific duty of which shall be to keep the people alert and well informed, and secure the most intelligent and skillful service.

4.

The adoption of this plan will overthrow industrial autocracy, root and branch, and destroy forever every element of its power.

The power of the capitalist class to oppress under the present system lies in the fact that this class

possesses unlimited and irresponsible power of control. This class fixes all salaries and takes to itself the lion's share; it fixes all prices and dividends and, thereby, exacts boundless tribute; it determines who shall work and who not; and it controls all investments and robs the investor of both dividends and capital. But the adoption of our plan will take away from the capitalist class every one of these elements of power and place them forever within the hands of the people. Hence, all gouging will cease and justice shall be done. And there will be no possibility of a return of autocracy so long as this plan endures. For the whole people will constitute the voting membership of the consolidated business corporation and all power shall be placed forever within their hands.

But will not abuses creep in? Yes, to some extent, especially at first. For the adoption of every new social process involves new complications which we cannot foresee, and, with new complications new abuses will, at first, arise. *But under this new system, full power to remedy every abuse will be within the people's hands.* Under the present system we experience the most terrible abuses and wrongs, but the people are helpless. Take the New York and New Haven Railroad in the year 1913. Not only had the stocks in that road depreciated until they were not worth thirty cents on the dollar as compared with a few years previously, but in the last half of 1913 the road paid no dividends at all. Think what that meant to the thousands of widows, aged people and others whose

whole property was invested in the road and who were dependent upon their dividends for support? And yet the people were utterly helpless in the face of those wrongs. *For they possessed practically no control whatever over the road in which their money was invested.* The officials continued, therefore, to draw their big salaries just as before. The president continued to draw a salary of one hundred thousand dollars a year and each of his many vice-presidents fifty thousand dollars a year, and yet the people whose money was invested in the road could receive no dividends at all. They had to submit to be plundered, until such time as their masters might deign to throw them a pittance.

Now, without doubt, under the new system, some abuses will occur. For although under a true democratic management *such outrageous wrongs as occur under the present system can never take place,* yet, doubtlessly, some evils will creep in. *But when these evils come, the remedy will be held completely within the people's hands.* For the people and not a small group of irresponsible men, will own the road. They will invest the capital, they will elect the officials and they will determine the salaries of those officials and direct the whole policy of the road. And the people's industrial institute will serve as the people's watch-dog to keep the people alert. With the first appearance, therefore, of incompetence or fraud every official can be called to account and dismissed and every abuse will be immediately rectified. For the people will be absolutely supreme over the corporation. Every regu-

lation will be devised to make and keep them supreme. And when both their capital and dividends are at stake, the people *will quickly get onto their job* and will inevitably direct all for the equal good of all.

And this plan will emancipate the workers. This truth needs to be emphasized, for it is the workers who are concerned in the largest numbers in the reform of present evil conditions. This plan will emancipate them, for this plan will make every worker to be a sovereign capitalist factor in the new business corporation and, therefore, the equal of everyone else. Indeed, under this new plan there cannot exist a distinct working class and a capitalist class, specifically so-called. *For under the new plan all will be workers and all will be capitalists alike.* Thus the present distinction between workers and capitalist class shall inevitably disappear. All will possess equal sovereign power and all will be equally masters of the corporation. Hence, when once we make the people collectively to be the business corporation, as this plan requires, it means that for the first time in human history the so-called workers shall become, with the rest of the people, industrially supreme. They will be each equal in power with everyone else. There will be no longer a ruling class and a dependent class. All will be rulers, collectively, in the industrial world.

5.

And this plan will not be at all communistic in character. It will be, indeed, no more communistic

than the present system. It will not destroy, but increase and spread more widely, the individual ownership of capital. And it will intensify that sense of independence and power which the individual ownership of capital gives. It will enable every man to strike his roots deep down into the very foundations of the material wealth of this country and make him strong and independent.

For while under this plan all will be members of the people's business corporation, *yet each man will be in it as an individual investor and shareholder,* just as in the private corporation today. Hence, the whole of the savings which each man shall invest in the corporation will be as fully and individually his as now. The only difference will be that now his money is invested in a private corporation where it is subject to pilfering and robbery. But under the new plan his savings will be invested in the public business corporation where every dollar will be perfectly safe and his dividends perfectly secure. Every man, therefore, under this new plan will have all that economic independence and sense of power that the ownership of individualized capital gives.

And this plan will perform every economic function, meet every economic need and contribute to the production of individual wealth for all.

For first, it will provide every man with work at a just wage and give every man the full product of his labor. Second, it will supply all men with all needed utilities at a fair price. And third, it will provide every man a place where he can invest

his increasing savings in his country's industries with safety, profit and permanency.

The adoption of this plan, therefore, will bring wealth to every thrifty man and enable him to attain to economic independence at forty-five years of age. The only person that could interfere with the power of any man to attain to wealth under the operation of this plan will be the man himself, by his own lack of thrift and other vices. Two considerations make this evident. The first is that even if the wealth of this country should not be increased, yet, under this plan, *every thrifty man will be able to acquire at forty-five years of age, fifteen thousand dollars' worth of the aggregate required capital of the country.* For this will represent the just amount of the required capital due from each. For if the wealth of this country today was distributed justly, according to age and thrift, it would give to each thrifty worker and wife, at forty-five and older, on the average, at least fifteen thousand dollars. And it can be said that that thrifty couple who today possesses nothing at forty-five years of age, has been robbed, in some way, of that amount of the capital of the country.

But second, under the operation of this plan all invested capital can easily earn, and shall earn, a dividend of at least ten per cent. But what will this mean? It will mean that the income of each man and wife above their salary at forty-five years of age, *will be at least fifteen hundred dollars a year, a sum sufficient to support them in independence during the rest of their days.*

But this is not the whole story. For with the rapid increase of the aggregate wealth of this country these amounts will be greatly increased. And, furthermore, every thrifty man and wife will be able, if they so desire, *to save and invest a surplus* far beyond their required subscriptions, so that their income can be indefinitely enlarged.

6.

This plan will, therefore, work. It is practicable and every factor in it is capable of being defended. It is in perfect accord with economic law and economic evolution and it will meet every economic need. It is not, therefore, like Marxism, a sudden break from all connection with the preceding course of development. On the contrary, it takes our present industrial system, the consolidated business corporation, at its present stage of evolution and carries it up to the next stage. It simply transfers our system from the control of autocracy to the control of democracy; but the great economic factors are the same.

The adoption of this plan will, therefore, remedy present wrongs. It will abolish poverty and every other economic evil. It will abolish forever the warfare between capital and labor; for this plan will make every worker to be both capitalist and laborer and no man will go to war with himself. It will abolish political corruption so far as political corruption is the product of industrial corruption. It will preserve the home by giving it an adequate economic foundation on which to exist.

And this plan will convert the struggle for bread and wealth from being, as it is today, a fierce competitive battle, in which the strong contend with the strong and the people are ruthlessly trampled under foot, into a vigorous yet co-operative effort. And while this plan will be conducted on strictly business principles and will make every man do his part and be responsible for himself, yet it will make JUSTICE to be the fundamental law of all industrial activity. It will constrain all to work together as comrades and brethren in obtaining for each his full share of life's utilities, and oppress none.

Thus it can be seen that industrial democracy, as advocated by this plan, is perfectly practicable, and that every wrong resulting from the present anarchistic and yet autocratic system can be cured. Since this is so, for any man to plead for a continuation of the present system of injustice and plunder is the height of servility and folly. Such a man is better fitted to live in despotic Russia than to be a free citizen of these United States.

In conclusion it should be said that this making of the people to be the consolidated business corporation, as this plan contemplates, is the next inevitable step in the march of democracy in its acquisition of supremacy over the whole social order.

Through the long ages of the past, the great mass of the people have been asleep and the astute and the sagacious have seized control of the whole social order,—of government, of education and religion, of the industrial system, of medicine and sanitation, of the very recreations and social life of the people.

And through these they have oppressed and plundered the people without mercy. But the people are beginning to awake from this long slumber. They are beginning to demand that these conditions of wrong shall come to an end. And it is a fact that human progress proceeds just in proportion and only in proportion as the people thus awake and become the intelligent masters of the whole social order. Progress in civilization and progress in social democracy are exactly co-extensive.

When democracy, therefore, acquired control of the government as it has in several nations, it took the first step toward securing control of the whole social order. When it acquired control of the public school and thereby secured control of education, it took a second step. And now the people are demanding that a third step be taken, namely, that the people shall acquire control of the whole industrial system. When, therefore, the people shall acquire supreme control of the consolidated business corporation—which is the agent of industrial administration and control—they shall have taken the next inevitable step in the extension of democracy over the whole social order. And this will be a most important step; for when once this step is taken it will speedily prepare the way for the rapid enthronement of the will of the people over every other part of the social order and then justice and good-will will reign everywhere and all exploitation and injustice and wrong shall cease.

This book, therefore, appeals to all who are dissatisfied with the present system of iniquity and

plunder, to all lovers of justice and lovers of humanity, to all who believe in building up a just society on earth, and especially to all workers, who by virtue of their numbers hold the scepter of power in their hands, and this book urges them carefully to examine the plan of industrial reconstruction presented here and see if it is not the true plan. And if they find that it is, will they not unite in its promotion. And that party which truly seeks to achieve industrial reconstruction,—whatever be that party's name—is urged also to examine the measure of reconstruction which is here proposed and if it is the true measure, let the party of reconstruction adopt it in its platform and demand such an amendment to the constitution of the several states and of the United States as shall put this plan into immediate and universal operation.

CHAPTER XV

How to Introduce This Plan

BUT how shall this plan be introduced? In particular how shall the present industries be taken over with justice toward all?

This plan will probably be introduced little by little, step by step. First some town or city will apply this plan to its street cars or water works or electric-lighting plant. Then some other town or city will follow this example, and these will be followed, in turn, by still others. Then some state or group of states will apply this plan to its railroads and other transportation industries. Then the United States will be likely to apply it to all the transportation system and communication system of the country. Then other industries shall be taken over, one by one. Our mines, Standard oil and our forests shall follow. And so, step by step, one industry after another will be taken over by the people, until our whole industrial system, from town to nation, shall be brought under the sovereign ownership and control of the people, organized into a single vast business corporation for that end.

But what are the specific steps by which this task shall be actually achieved? In particular, how

shall these industries, that already exist and are owned by private owners, be taken over and converted into the property of the socialized business corporation? This question brings me to a second proposition.

Justice demands that all private industries shall be taken over *by honest purchase,* according to the true meaning of the term. For justice cannot advocate any universal process of confiscation, unless of course, the oligarchy in power should fairly force upon the country a bloody civil war. In that case, all that we could do would be to confiscate much of the great wealth of the country and redistribute it according to some principle of equity. But it is not probable that any bloody civil war or revolution will take place. The oligarchy now in power shows signs of being already in a condition of fright. Its members see the handwriting on the wall. For they know that their vast fortunes are the product of one vast gouge. And already they see that the people are beginning to awake and demand restitution and reform. And when the people once arise and speak the word, the oligarchy in power will retire from the field without any bloody struggle.

Assuming, then, that the great revolution shall be a peaceful one, justice demands that all the great industrial plants shall be taken over, not by confiscation, but by honest purchase.

But what is meant by "honest purchase?"

By "honest purchase" it is meant, in the first place, that every person who has honestly invested honestly acquired money in our great industries shall be protected in the ownership of every dollar that he has put in. No honest investor need entertain, therefore, any fear that he will in any wise lose his possession by the transfer of privately owned plants over into the possession of the people as this plan requires. Widows, orphans, working men, teachers in our schools and all other persons who constitute the class of really honest investors, shall be absolutely protected in their possessions.

But, secondly, by "honest purchase" it is not meant that we must pay for watered stock. Mr. Lawson declares that of the sixty billions of "stock" held in this country, some thirty-nine billions are clear water. Now, assuming that this declaration is true, an honest purchase does not demand that we should pay for this vast amount of water. This water must be squeezed out.

Thirdly, neither does "honest purchase" demand that we should pay back to the holders of vast fortunes that part of their wealth that has been clearly gotten *by fraud or dishonest manipulation.* It can be clearly proven that billions of dollars of money have been taken from the people by methods which are no better than a clear steal. When, for example, a certain railroad president took some twenty millions out of funds raised for improvement bonds and appropriated them to his private purse,

that was a clear case of fraud. Money clearly gotten by fraudulent methods we shall be perfectly justified in withholding from the present "possessors" and in returning it, or distributing it, in the form of capital to those to whom it more rightly belongs.

Fourthly, honest purchase means that it will be perfectly just to take those funds that have been gotten by their present holders by fraud, and use them in compensating especially aged working men and women who have been despoiled by the present evil system. We shall, thereby, enable the latter to make that investment of capital which the new plan will require of them. In short, it would be perfectly just to take that money that has been clearly gotten by fraud and, instead of returning it to the present holders, bestow it, *in the form of invested capital*, upon those aged men and women who have been plundered and made helpless by the present system.

In order to achieve this work with perfect justice the people should create a *Board of Equity* which, when the proper time has come, shall adjust all claims and so bring justice to every person concerned.

Such seem to be the chief factors implied in the taking over of our privately owned industries by honest purchase.

Having thus decided the general method of taking over the private industries, what are the

several concrete steps to be taken in the actual process?

As soon as the people have voted to adopt the plan advocated in this book, and decided what particular industry first to take over, the first step would be for the people to elect an expert *Commission of Appraisal,* to ascertain the true valuation of the plant to be acquired; also to choose a B*oard of Equity,* as indicated above, to ascertain to whom the purchase money in each case is to be paid, that is, whether wholly to the present holders of the stock or, in part, to someone else from whom it has been unjustly taken.

Then the government should call upon the citizens to subscribe severally the amount demanded from each in order to take over the contemplated industry,—giving each time, if unable to pay all at once. The government shall then make up any deficit by giving its bond for the balance.

This money shall then be paid over to those to whom it properly belongs, as the Board of Equity with government approval, shall direct.

The people shall then be called upon to elect their board of directors and the industry shall at once be turned over to their administration as the new plan shall require.

Thus, every industry could be taken over one by one. The people might well begin with our water works and electric lights, and they could then proceed to take over our railroads and other systems of transportation, with all telegraphs and telephones. Then all those industries intimately

connected with these transportation and communication industries could be taken over. And so we could proceed, step by step, until the whole industrial world was transferred from private ownership to collective ownership; and our industrial activities should no longer be the agents of graft and private gain, but the agents of the whole people in the acquisition of wealth with justice to all.

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